



2 April 2009

Dr John Tamblyn  
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Dear Dr Tamblyn

## **PARTICIPANT DEROGATION**

Aurora Energy (Tamar Valley) Pty Ltd (AETV) requests the Commission to make a *participant derogation* pursuant to section 91 (5) of the *National Electricity Law (NEL)*.

This *participant derogation* relates to the *minimum access standard* under clause S5.2.5.3 (c) of the National Electricity Rules (**NER**). The *minimum access standard* under clause S5.2.5.3 (c) requires a *generating system* and each of its *generating units* to be capable of *continuous uninterrupted operation* for *frequencies* within the ranges specified in paragraphs (1) to (6) of clause S5.2.5.3(c).

Under this *participant derogation* AETV seeks the Commission's approval to modify the *frequency* ranges applicable to AETV under clause S5.2.5.3(c), to those *frequency* ranges that will apply in Tasmania once the recommendations of the *Reliability Panel* dated 18 December 2008 (i.e. the new Tasmanian *frequency operating standards*) commence to apply in Tasmania. This modification will only apply to the *frequency* levels in the clause S5.2.5.3(c) *minimum access standard* which will apply to AETV's soon to be commissioned combined cycle gas turbines in the Tamar Valley.

AETV is seeking a *participant derogation* to this effect until such time as the new *frequency operating standards* for Tasmania commence to apply.

AETV also requests the Commission to:

- treat this request for a *participant derogation* as a request for a non-controversial Rule Change; and


- therefore expedite the making of the *participant derogation*, as provided by section 96 of the NEL.

Further details in support of our request for a *participant derogation* are contained in the attachment to this letter.

We have also attached letters in support of our request for a *participant derogation* from NEMMCO and Transend.

Please contact Shaun O'Loughlin on 0418 139 002 if you would like to discuss any aspect of our request.

Yours faithfully



**Michael Brewster**  
Chief Executive Officer

Encl. Participant Derogation  
Letter from Transend  
Letter from NEMMCO

## AETV PARTICIPANT DEROGATION

### 1. Proponent and authority

- a. AETV is currently registered as a *Market Generator* with the National Electricity Market Management Company (**NEMMCO**) in respect of its existing *generating units*.
- b. AETV's registered address is Level 2, 21 Kirksway Place, Hobart, Tasmania 7000.
- c. The signatory to the attached letter is authorised by AETV to make this request.
- d. In this submission, AETV requests the Commission to make a Rule Change in the form of a *participant derogation* that:
  - i. modifies the *frequency* ranges specified in the *minimum access standard* set out in clause S5.2.5.3(c) of the NER to those *frequency* ranges that will apply in Tasmania once the recommendations of the *Reliability Panel* dated 18 December 2008 (i.e. the new Tasmanian *frequency operating standards*) commence to apply in Tasmania; and
  - ii. provides that this modified clause S5.2.5.3(c) *minimum access standard* will apply in respect of AETV's soon to be commissioned Tamar Valley Power Station (in this submission called the 'TVPS').

### 2. Background - *frequency operating standards* in Tasmania

- a. The *Reliability Panel* recently recommended that the *frequency operating standards* applying in the Tasmanian *region* should be amended.
- b. Under the *Reliability Panel's* recent determination, the amended or new *frequency operating standards* are to apply from the date on which various preconditions specified in that determination are satisfied.
- c. AETV understands that these preconditions may be satisfied as early as August 2009. The *Reliability Panel's* determination required that these preconditions had to be satisfied by no later than 31 December 2009.
- d. AETV is currently completing the construction of the TVPS. Once completed and commissioned the TVPS will be *connected* to Transend's *transmission network*.

- e. AETV is expecting to be in a position to commence commissioning tests in respect of the TVPS in June 2009. The commissioning tests are expected to continue until August 2009.
- f. In order to conduct these commissioning tests:
  - i. AETV will need to be registered as a *Market Generator* in relation to the *generating system* comprised within the TVPS;
  - ii. AETV will need to classify the *generating units* comprised within the TVPS as *scheduled/market generating units*; and
  - iii. AETV will need to *connect* the TVPS to Transend's *transmission network* in accordance with the terms of the proposed *AETV connection agreement* with Transend.
- g. AETV will not be able to satisfy the requirements set out in paragraph 2(f) above until such time as its *performance standards* for the TVPS have been accepted by NEMMCO and Transend.

### **3. Nature and scope of the issues concerning the existing NER**

- a. This *participant derogation* concerns:
  - i. AETV's proposed *connection agreement* with Transend;
  - ii. AETV's proposed registration with NEMMCO; and
  - iii. the *performance standards* which will apply for the purposes of both of these processes.
- b. Clause 5.3 of the NER sets out the process for establishing a *connection* to Transend's *transmission network*.
- c. This process involves a number of steps, and will ultimately conclude in AETV and Transend entering into a *connection agreement*.
- d. Clause 5.3.7(b) of the NER relevantly requires that:
  - i. the *connection agreement* for a *generating system* must include proposed *performance standards* with respect to each of the technical requirements identified in schedule S5.2 of the NER; and



- ii. each proposed *performance standard* for the relevant *generating system* must be established in accordance with the 'relevant technical requirement' set out in schedule S5.2 of the NER.
- e. Clause 5.3.7(c) of the NER then states that the proposed *performance standards* must be based on the *automatic access standards* or the *negotiated access standard*, but the latter can only apply if the processes for determining such a standard set out in clause 5.3.4A have been followed.
- f. Clause 5.3.4A of the NER relevantly enables AETV and Transend to agree a *negotiated access standard* in relation to the technical requirements set out in clause S5.2.5.3 of the NER for the TVPS. By definition, this *negotiated access standard*:
  - i. will be set at a level which is less than the *automatic access standard* set out in clause S5.2.5.3(b) of the NER; and
  - ii. must be set at a level which is 'no less onerous than' the *minimum access standard* set out in clause S5.2.5.3(c) of the NER.
- g. In addition, clause 5.3.4A(b) of the NER requires that a *negotiated access standard* must be set at a level that will not adversely affect:
  - i. *power system security*; or
  - ii. the quality of *supply* for other *Network Users*.
- h. Once construction is complete, the TVPS will be able to meet the new clause S5.2.5.3(c) *minimum access standard* [i.e. the new *frequency operating standards*] for Tasmania (subject to first agreeing *protection system* arrangements with NEMMCO for the purposes of clause S5.2.5.3(c)(6)). However, the TVPS will not be able to meet the current clause S5.2.5.3(c) *minimum access standard* with the current *frequency operating standards* applying in the Tasmanian *region*.
- i. It follows that AETV will not be able to *connect* to Transend's network until the new Tasmanian *frequency operating standards* apply.
- j. Similar issues exist as regards registration with NEMMCO. Clause 2.2.1(e) (3) of the NER provides that, to be eligible for registration as a *Generator*, a person must satisfy NEMMCO that each *generating system* will be capable of meeting or exceeding its *performance standards*. Accordingly, AETV would not be able to be

registered as a *Generator* in respect of this *generating system* until the new Tasmanian *frequency operating standards* apply.

- k. Accordingly, AETV requests the Commission to make a *participant derogation* to modify the *frequency* ranges specified in clause S5.2.5.3(c) applying to TVPS to those *frequency* ranges that will apply in Tasmania once the recommendations of the *Reliability Panel* dated 18 December 2008 (i.e. the new Tasmanian *frequency operating standards*) commence to apply in the Tasmanian *region*.
- l. This modification will only apply to the *minimum access standard frequency* levels in clause S5.2.5.3(c) which will apply to the soon to be commissioned TVPS.

#### **4. Explanation of how the modification of the frequency operating standard will address the issue**

- a. If the Commission makes the *participant derogation* requested by AETV, it will have the following effects:
  - i. AETV will be able to finalise its *connection agreement* with Transend (based on the clause S5.2.5.3(c) *minimum access standard [frequency operating standards]* that will apply in Tasmania in the very near future);
  - ii. AETV will be able to register the TVPS with NEMMCO (based on the clause S5.2.5.3(c) *minimum access standard [frequency operating standards]* that will apply in Tasmania in the very near future); and
  - iii. AETV will be able to commence commissioning the TVPS at an earlier date than would otherwise be possible.
- b. If the work associated with the implementation of the pre-conditions for the amendment to the *frequency operating standards* applying in the Tasmanian *region* proceeds according to current expectations, the *participant derogation* would be in place only until August 2009. At this point, again on current expectations, the commissioning of the TVPS is also expected to be completed around August 2009. Accordingly, the TVPS would be ready for commercial operation at approximately the same time as the new Tasmanian *frequency operating standards* take effect.

## 5. Conditions to apply during commissioning

- a. *NEMMCO* and other *Registered Participants* could potentially have some concerns if the TVPS were to be *connected* to the *transmission network* before the new *frequency operating standards* become operational in the Tasmanian *region*. This is because the pre-conditions for the change in the Tasmanian *frequency operating standard* mentioned in the *Reliability Panel's* report would not have been finalised (such as changes to the UFLSS, the OFGSS and the Basslink *frequency controller*).
- b. Clause 5.8.2 of the NER requires a *Registered Participant* seeking to *connect* to a *network* to co-operate with the relevant *Network Service Provider* and *NEMMCO* to develop procedures to ensure that the commissioning of the *connection* and *connected facility* is carried out in a manner that:
  - i. does not adversely affect other *Registered Participants* or affect *power system security* or quality of *supply* of the *power system*; and
  - ii. minimises the threat of damage to any other *Registered Participant's* equipment.
- c. AETV submits that any concerns that *NEMMCO* or other *Registered Participants* may have concerning the early *connection* of the TVPS will be allayed by the requirements of clause 5.8.2. In fact, clause 5.8.2 has been designed to enable *NEMMCO* and *Network Service Providers* to address any particular concerns either party may have in relation to a particular commissioning process.
- d. AETV will of course comply with any conditions imposed by either *NEMMCO* or Transend during the commissioning period under the terms of clause 5.8.2 of the NER.
- e. AETV has commissioned Transend to conduct *power system* studies in respect of its new plant. It is expected that these studies will identify any potential threat to *power system security* and any potential threat to the quality of *supply* for other *Network Users*.
- f. Transend and *NEMMCO* will of course have access to the outcome of these *power system* studies and both their commissioning programmes and the final *negotiated access standards* can be expected to take into consideration any issues identified.



- g. AETV envisages that the requirements imposed by *NEMMCO* and Transend are likely to include requirements to ensure that:
  - i. in the first instance, commissioning activities occur under *power system* conditions that will result in the *frequency* remaining within the safe limits for operation of AETV taking into account the existing levels of FCAS; and
  - ii. if necessary, for AETV to acquire, “off market”, sufficient fast response demand reduction and *generation* response to ensure that the *frequency* remains within safe limits advised by *NEMMCO* and Transend.
- h. As mentioned earlier in this submission, the NER establishes a process whereby:
  - i. if a proposed *connection* does not meet the *automatic access standards*, the relevant *connection applicant* and the relevant *Network Service Provider* must negotiate the *access standards* which are to apply for that *connection*;
  - ii. *negotiated access standards* must be 'no less onerous' than the *minimum access standards*'; and
  - iii. *negotiated access standards* must be set at a level that will not adversely affect *power system security* or the quality of *supply* for other *Network Users*.
- i. Accordingly, whilst AETV is requesting the Commission to make a *participant derogation* to modify the *frequency* ranges for the *minimum access standards* for the TVPS, it will still be open under the clause 5.3.4A process for Transend and *NEMMCO* to require AETV to comply with such conditions as Transend and/or *NEMMCO* consider are required in order to ensure that the clause S5.2.5.3(c) *minimum access standard* does not adversely affect *power system security* or the quality of *supply* for other *Network Users*.
- j. In the AETV's view, the Commission can be satisfied that the making of this *participant derogation* will not result in any technical concerns, because both during and after commissioning, the actual technical operating standards for the TVPS will be determined by agreement with Transend and *NEMMCO*.



## 6. Derogation is non controversial

- a. Those *Registered Participants* who potentially could have been affected by the making of this *participant derogation* have indicated agreement in principle or provided letters of support.
- b. AETV submits that the *participant derogation* is non controversial (that is to say, it is a *participant derogation* that is unlikely to have a significant effect on the National Electricity Market) and is therefore suitable for expedited processing. This is because:
  - i. the *participant derogation* will apply for only a very short period of time;
  - ii. the effect of the *participant derogation* is to bring forward (by a short period of time only and only in respect of the TVPS) changes in the Tasmanian *frequency operating standard* that will become effective across Tasmania later in 2009 in any event;
  - iii. the commissioning programme will be undertaken in accordance with the requirements of Transend and *NEMMCO* notified to AETV under clause 5.8.2;
  - iv. despite the *participant derogation*, the *minimum access standard* under clause 5.5.2.5.3(c) will still have to be agreed with Transend and *NEMMCO*, having regard to the matters set out in clause 5.3.4A(b)(2) and (3); and
  - v. as indicated, all of the *Registered Participants* who would be likely to be concerned with or affected by the *connection* of the TVPS not in accordance with the current Tasmanian *frequency operating standards*, in fact support this *participant derogation*.

## 7. Form of the proposed *participant derogation*

- a. A draft form of the proposed *participant derogation* is attached to this submission.

## 8. Achievement of the National Electricity Objective

- a. The National Electricity Objective (NEO) is contained in section 7 of the National Electricity Law (NEL) in the following terms:

"The objective of this Law is to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to:

- (a) price, quality, safety, reliability, and security of supply of electricity; and
- (b) the reliability, safety and security of the national electricity system."

- b. If the Commission makes this *participant derogation*, it will assist in improving the reliability of supply of electricity in Tasmania. Production from the TVPS will be able to come on line earlier than would otherwise be the case.
- c. Inflows to water storages in Tasmania continue to be below long term average. As a result, production from hydro electric sources has been lower than average production for some time, placing greater reliance on thermal and wind generation in Tasmania and on electricity imports across Basslink.
- d. The making of this *participant derogation* would enable earlier commissioning of the TVPS, will diversify the generation mix in Tasmania and will enhance reliability of supply in Tasmania.
- e. Hydro Tasmania could, if it chose, then scale back its own generation to assist recovery of water storage levels. Higher storages will improve the risk adjusted level of reliability because it will provide an increased buffer against:
- i. any interruptions or limitations in relation to Basslink; and
  - ii. continued dry inflow conditions.
- f. An improvement in reliability in Tasmania will have a corresponding increase in reliability (albeit small) across the NEM.
- g. In addition to improving reliability and security of supply of electricity in Tasmania, as soon as the TVPS is commissioned, there is likely to be a downward pressure on wholesale electricity prices in Tasmania. This is because:

- i. there is likely to be competitive pressure on bid prices due to the existence of this additional capacity; and
  - ii. water storages should be able to rise (or at least not fall as far), increasing the energy production capacity.
- h. Accordingly, AETV submits that this proposed *participant derogation* contributes to the achievement of the NEO as it will promote the efficient operation and use of electricity services for the long term interests of consumers of electricity with respect to:
  - i. price and reliability of supply of electricity; and
  - ii. the reliability of the national electricity system.

**9. Expected benefits and costs of the proposed derogation**

**a. Benefits:**

The principal benefits that the proposed *participant derogation* would bring are those discussed in paragraph 8 of this submission, that is:

- i. earlier improvement in the reliability and security of supply of electricity in Tasmania; and
- ii. potentially, earlier downward cost pressure on electricity prices in the Tasmanian *region*,

therefore contributing to the achievement of the NEO at an earlier point than would otherwise be possible, if the *participant derogation* is not made.

**b. Costs**

- i. AETV expects that only very minimal costs will be incurred (if any) if the *participant derogation* is made. This is because AETV, NEMMCO and Transend would have to agree a *commissioning plan* and clause S5.2.5.3(c) *minimum access standards* in any event.
- ii. AETV submits that, because of the oversight by Transend and NEMMCO both during the commissioning period and after, there are unlikely to be any impacts on other *Registered Participants*.

## 10. Conclusion

- a. AETV submits that:
  - i. its request for a *participant derogation* is non controversial and can therefore be processed by the Commission in an expedited fashion under section 96 of the NEL;
  - ii. the *participant derogation*, if made, will contribute to the achievement of the NEO, for the reasons set out in paragraph 8 of this submission; and
  - iii. the benefits of the *participant derogation*, if made, would far outweigh the very minimal costs of implementing it.
- b. AETV therefore requests the Commission to make the *participant derogation* outlined in this submission, and described in the Draft Rule attached to this submission; which *participant derogation* would apply for the period from the making of the Rule Change to the date on which the new *frequency operating standards* for Tasmania become effective.



**AURORA ENERGY (TAMAR VALLEY) PTY LTD**  
**DRAFT PARTICIPANT DEROGATION**

**National Electricity Amendment (Aurora Energy (Tamar Valley) Pty Ltd)  
Participant Derogation (Modification of Clause S5.2.5.3(c) Minimum  
Access Standard) Rule 2009 No. [x]**

**1. Title of Rule**

This Rule is the *National Electricity Amendment (Aurora Energy (Tamar Valley) Pty Ltd) Participant Derogation (Modification of Clause S5.2.5.3(c) Minimum Access Standard) Rule 2009 No. [x]*.

**2. Commencement**

This Rule commences operation on [the date the notice making this Rule is published under clause 103 of the *National Electricity Law*] [insert date which must be after the date the notice making the Rule is published in the *South Australian Government Gazette*].

**3. Amendment of the National Electricity Rules**

The National Electricity Rules are amended as set out in Schedule 1.

## Schedule 1 Amendment of National Electricity Rules

### Chapter 8A Participant Derogations

Insert the following new Part at the end of Chapter 8A:

#### Part 13 Derogations granted to Aurora Energy (Tamar Valley) Pty Ltd

##### 8A.13 Derogation from clause S5.2.5.3(c) *minimum access standard*

###### 8A.13.1 Definitions

For the purposes of this rule 8A.13:

**AETV** means Aurora Energy (Tamar Valley) Pty Ltd.

**commencement date** means the date on which this Rule 8A.13 commences operation.

**expiry date** means the date on which the New Tasmanian *frequency operating standards* commence to apply in the Tasmanian *region*.

**New Tasmanian *frequency operating standards*** means the new Tasmanian *frequency operating standards* set out in the recommendations of the *Reliability Panel* dated 18 December 2008.

**Relevant *generating system*** means the 210 MW combined cycle *gas generating system* that will be comprised within AETV's Tamar Valley *power station*.

**Transend** means Transend Networks Pty Limited (ABN 57 082 586 892).

###### 8A.13.2 Clause S5.2.5.3 *minimum access standard* applying to the Relevant *generating system* before expiry date

- (a) Subject to clause 8A.13.2(b), the *minimum access standard* which will apply under clause S5.2.5.3(c) during the period from the commencement date to the expiry date for the purposes of determining the *negotiated access standard* for the Relevant *generating system* in relation to the technical requirements set out in clause S5.2.5.3, will be determined by reference to the New Tasmanian *frequency operating standards*.
- (b) Without limiting AETV's, Transend's and NEMMCO's other rights and obligations under clause 5.3.4A and clause S5.2.5.3(c), any arrangements which are required to be established in order to satisfy the requirements of clause

5.3.4A(b) and clause S5.2.5.3 (c) during the period from the commencement date to the expiry date, including (without limitation):

- (1) the details of the *protection system* which will trip the Relevant *generating system* in accordance with the requirements of clause S5.2.5.3(c)(6) if the *frequency* exceeds the level agreed with *NEMMCO* for the purposes of that clause;
- (2) the *frequency* level referred to in clause 8A.13.2(b)(1) above; and
- (3) the manner in which the Relevant *generating system* will be limited to ensure that the contingency size limit contained in the New Tasmanian *frequency operating standards* is observed,

must be negotiated and agreed between AETV, Transend and *NEMMCO* before the Relevant *generating system* is *connected* to Transend's *transmission system*.

- (c) AETV must comply with any arrangements which are established under paragraph (b) of this clause.