



Draft National Electricity Amendment (Process for Region Change) Rule 2007

under the National Electricity Law as applied by:

- (a) the National Electricity (South Australia) Act 1996;
- (b) the Electricity (National Scheme) Act 1997 of the Australian Capital Territory;
- (c) the National Electricity (New South Wales) Act 1997 of New South Wales;
- (d) the Electricity - National Scheme (Queensland) Act 1997 of Queensland;
- (e) the Electricity - National Scheme (Tasmania) Act 1999 of Tasmania;
- (f) the National Electricity (Victoria) Act 2005 of Victoria; and
- (g) the Australian Energy Market Act 2004 of the Commonwealth.

The Australian Energy Market Commission makes the following Rule under the National Electricity Law.

John Tamblyn
Chairman
Australian Energy Market Commission

Draft National Electricity Amendment (Process for Region Change) Rule 2007

1. Title of Rule

This Rule is the *Draft National Electricity Amendment (Process for Region Change) Rule 2007*.

2. Commencement

This Rule commences operation on [*to insert date*].

3. Amendment of the National Electricity Rules

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

4. Notes

Notes do not form part of this Rule.

Schedule 1 Amendment of National Electricity Rules

[1] New Chapter 2A

After Chapter 2, insert:

2A. Regional Structure

Part A – Region change applications and region determinations by AEMC

2A.1 Introduction to Chapter 2A

2A.1.1 Definitions

Expressions in Chapter 2A are defined in Schedule 2A.1.

[Drafting Note: The definitions are set out in Drafting Instruction 3 below for easy reference for consultation on the draft Rule. They may be located in a Schedule 2A.1 or alternatively be located in Chapter 10 in alphabetical order.]

2A.1.2 AEMC determination of regions

- (a) For the purpose of conducting the *spot market*, the *market* is to be divided into *regions* determined by the *AEMC* in accordance with the *Rules*.
- (b) A *region* change may only be made by a *region* change application to the *AEMC* in accordance with this Chapter 2A.

2A.2 Region change applications

2A.2.1 A complete region change application

- (a) Subject to and in accordance with this Chapter 2A, a *Registered Participant* or *NEMMCO* (“an **applicant**”) may make a *region* change application to the *AEMC*.
- (b) In order to be accepted by the *AEMC*, a *region* change application must comply with the requirements under this rule 2A.2 (“a **complete application**”).
- (c) In order to be a complete application, a *region* change application must:
 - (1) identify a congestion problem – see clause 2A.2.2;
 - (2) present a preliminary case as to the economic efficiency of a proposed *region* solution – see clause 2A.2.3;

- (3) propose a *region* solution to the congestion problem that is technically competent – see clause 2A.2.4;
- (4) demonstrate that the proposed *region* solution is appropriate having regard to alternative means for managing the congestion problem – see clause 2A.2.5;
- (5) if the congestion problem has been considered within the past 5 year period, demonstrate why it should be re-considered – see clause 2A.2.6.

2A.2.2 Identifying a congestion problem

A *region* change application must demonstrate, with supporting economic analysis:

- (1) that there is a problem with the existing *region* configuration;
- (2) that the problem is attributable to the presence of material and enduring *network* congestion; and
- (3) that the problem has or will detract materially from economic efficiency,

where economic efficiency includes (but is not limited to):

- (i) productive efficiency, being the impact on efficiency of *dispatch*, including in respect of bidding incentives and *dispatch* outcomes;
- (ii) efficiency in relation to the management of risk and the facilitation of forward contracting by participants in the *spot market*; and
- (iii) long term dynamic efficiency – including in relation to making investment decisions,

(“a **congestion problem**”).

2A.2.3 Explanation of economic efficiency of proposed region solution

A *region* change application must explain how the proposed *region* solution would or would be likely to materially improve economic efficiency,

where economic efficiency includes (but is not limited to):

- (1) productive efficiency, being the impact on efficiency of *dispatch*, including in respect of bidding incentives and *dispatch* outcomes;
- (2) efficiency in relation to the management of risk and the facilitation of forward contracting; and
- (3) long term dynamic efficiency – including in relation to making investment decisions.

2A.2.4 Region change application must be technically competent

- (a) A *region* change application must demonstrate that the proposed *region* solution identified in the application satisfies the following technical requirements:
- (1) each *region* must have a single *regional reference node* which is to be deemed to be a notional *busbar* at:
 - (i) a nominated major *transmission substation* located at or close to the largest *load centre* within the *region*; or
 - (ii) where a *region* has no major *load centre* or there is some other reasonable cause for not defining a *regional reference node* at a particular major *load centre*, a nominated major *transmission substation* located at the largest *generation centre* within the *region*;
 - (2) all *transmission connection points* affected by a proposed *region* solution must be identified;
 - (3) a *transmission connection point* may only be assigned to a single *region*;
 - (4) the boundary of a *region* must be closed and must enclose at least one significant *load centre* and/or *generation centre*;
 - (5) the physical *transmission elements* that form the *interconnection* with adjacent *regions* must be described, including the points at which the boundary cuts through the *transmission elements*; and
 - (6) availability of revenue metering to measure the energy flow across each physical *transmission element* that forms the *interconnection* with other *regions*,
- (“a **technically competent application**”)
- (b) Where a *region* change application proposes an implementation period that is more or less than 3 years, the application must specify the proposed implementation period and provide reasons why a different time period should be determined by the AEMC.

2A.2.5 Alternative congestion management options

- (a) A *region* change application must demonstrate that the *region* solution proposed in the application is an appropriate and timely course of action in all the circumstances, having regard to alternative means of managing the congestion problem (“the **alternative congestion management options**”).
- (b) The alternative congestion management options include:
- (1) changes to the geographic distribution of *generation* and *load* over time;

- (2) changes in the configuration of the *transmission network* including as a consequence of the application of the *last resort planning power* regime; or
- (3) changes in capability of the *transmission network* arising under other arrangements such as *network* support agreements or *network control ancillary services* agreements.

2A.2.6 Previous application relating to congestion problem

- (a) Where a *region* change application (a **subsequent application**) addresses the same or substantially the same congestion problem as a previous *region* change application accepted by the *AEMC* within the previous 5 year period, the subsequent application must demonstrate, with supporting evidence, why it is appropriate for the *AEMC* to accept a subsequent application having regard to:
 - (1) any material changes in circumstances since the previous *region* change application;
 - (2) the general desirability of a stable *region* structure for the making of contracting and investment decisions in the *NEM*;
 - (3) the adequacy of the previous application; or
 - (4) any other relevant consideration in the particular circumstances of the case.

2A.2.7 NEMMCO to provide information to intending applicants

- (a) An intending applicant (other than *NEMMCO*) may request information from *NEMMCO* in order to prepare a technically competent region change application.
- (b) *NEMMCO* must, on request from an intending applicant, furnish such information to that person that is necessary to prepare a technically competent application.

2A.2.8 AEMC may refuse to accept incomplete applications

If the *AEMC* considers that a *region* change application is not a complete application under this rule 2A.2, the *AEMC*:

- (1) must notify the applicant, including written reasons that set out the respects in which the application is not complete; and
- (2) is not required to further consider the application until it is satisfied that the application is complete.

2A.3 Acceptance of region change application by AEMC

2A.3.1 Acceptance of a region change application by AEMC

- (a) The *AEMC* must not accept a *region* change application unless it is satisfied that the application is a complete application in accordance with rule 2A.2.
- (b) Where the *AEMC*:
 - (1) is not satisfied that a *region* change application is a complete application in accordance with rule 2A.2; or
 - (2) considers, whether as a result of submissions received in preliminary consultation under clause 2A.3.2 or otherwise, that a *region* change application should not proceed,it may make a decision not to accept the *region* change application, setting out the reasons for that decision.
- (c) The *AEMC* must without delay, notify the applicant of a decision not to accept a *region* change application, and publish that decision (including the reasons) on the *AEMC*'s website.
- (d) Where the *AEMC* is satisfied that a *region* change application:
 - (1) is a complete application in accordance with rule 2A.2;
 - (2) satisfactorily addresses any issues raised by preliminary consultation under clause 2A.3.2; and
 - (3) should, in all the circumstances, be consulted and considered under this Chapter 2A,the *AEMC* must make a decision to accept a *region* change application and must taken action in relation to the application in accordance with this Chapter 2A.
- (e) An applicant may not withdraw a *region* change application after the *AEMC* has accepted that application and has published notice of first round consultation under clause 2A.4.1.

2A.3.2 Preliminary consultation prior to acceptance of a region change application

- (a) After the *AEMC* decides that a *region* change application is a complete application in accordance with rule 2A.2, but prior to making a decision whether or not to accept the application under clause 2A.3.1, the *AEMC* must publish the proposed *region* change application (including all supporting evidence) on its website and invite written submissions from any person or body within 21 *business days* of the date of that publication.

- (b) Where the *AEMC* considers that submissions received under paragraph (a) raise issues that should be addressed in the *region* change application, it may:
 - (1) request the applicant to amend the *region* change application to address those issues; or
 - (2) decide not to accept the *region* change application under clause 2A.3.1.

2A.4 First round consultation on region change application

2A.4.1 Notice of first round consultation

- (a) As soon as practicable after accepting a *region* change application under rule 2A.3, the *AEMC* must publish on its website notice of the application (“the **first round consultation notice**”).
- (b) The first round consultation notice must:
 - (1) contain the *region* change application and supporting information provided by the applicant;
 - (2) invite written submissions from any person or body within 75 *business days* of the date of the first round consultation notice (the **first round consultation period**);
 - (3) specify that a person or body may put forward an alternative *region* solution in a written submission either:
 - (i) as an informal alternative *region* solution; or
 - (ii) as a formal alternative *region* solution under clause 2A.4.3, and (in the case referred to in subparagraph (ii)), the notice must further specify that the person or body may be required to provide to the *AEMC* supplementary economic analysis to support the formal alternative *region* solution.

2A.4.2 Right to make written submissions during first round consultation period

Any person or body may, within the first round consultation period, make a written submission in relation to a *region* change application (“a **first round submission**”).

2A.4.3 Alternative region solution put forward by third parties

- (a) A person or body (“an **alternative proponent**”) who makes a first round submission may propose an alternative *region* solution to the solution proposed in the *region* change application (“a **proposed region solution**”).

- (b) An alternative proponent must expressly request in the first round submission that the submission be treated by the *AEMC* as a formal alternative *region* solution.
- (c) A proposed *region* solution must:
 - (1) demonstrate that the alternative *region* solution relates to the congestion problem identified in the *region* change application and accepted by the *AEMC* under clause 2A.3.1.
 - (2) be technically competent in accordance with the requirements for a *region* change application under clause 2A.2.4; and
 - (3) explain how the proposed *region* solution would or would be likely to materially improve economic efficiency in accordance with the requirements for a *region* change application under clause 2A.2.4,(“a complete alternative *region* solution”).

2A.4.4 Acceptance as a formal alternative region solution by AEMC

- (a) The *AEMC* is not obliged to treat a proposed *region* solution as a formal alternative *region* solution unless the *AEMC* is satisfied that it is a complete alternative *region* solution.
- (b) Where the *AEMC* is not satisfied that a proposed alternative *region* solution is a complete alternative *region* solution, the *AEMC* may decide not to treat it as a formal alternative *region* solution and must:
 - (1) set out the reasons for that decision;
 - (2) without delay, notify an alternative proponent of the decision;
 - (3) publish the decision (including the reasons) on the *AEMC*'s website; and
 - (4) treat the proposed *region* solution as an informal alternative *region* solution.
- (c) Where the *AEMC* is satisfied that a proposed alternative *region* solution is a complete alternative *region* solution, the *AEMC* must:
 - (1) publish the formal alternative *region* solution on the *AEMC*'s website; and
 - (2) treat the proposed *region* solution as a formal alternative *region* solution.
- (d) An alternative proponent may not withdraw a proposed *region* solution after the *AEMC* has accepted it as a formal alternative *region* solution and has published notice under paragraph (c)(1).

2A.5 Provision of supplementary economic analysis

2A.5.1 AEMC may direct provision of supplementary analysis

- (a) The *AEMC* may, in respect of a *region* change application accepted under rule 2A.3, direct an applicant to provide to the *AEMC* supplementary economic analysis to support the applicant's proposed *region* solution.
- (b) The *AEMC* may, in respect of a formal alternative *region* solution, direct an alternative proponent to provide to the *AEMC* supplementary economic analysis to support the alternative *region* solution.
- (c) An applicant or an alternative proponent directed under paragraphs (a) or (b) must provide the supplementary economic analysis to the *AEMC* within the period of time specified by the *AEMC* in the direction.
- (d) A direction under paragraphs (a) or (b) may be given at any time after the start of first round consultation.
- (e) Despite paragraphs (a)-(c), the *AEMC* may prepare supplementary economic analysis in respect of a *region* solution, whether proposed in a *region* change application, or in a formal alternative *region* solution or otherwise.

2A.5.2 AEMC may direct NEMMCO to provide information

- (a) Where the *AEMC*:
 - (1) directs an applicant or an alternative proponent to provide supplementary economic analysis under clause 2A.5.1; or
 - (2) decides to prepare supplementary economic analysis,the *AEMC* may request *NEMMCO* to provide information (including constraint equations) to the applicant or to the alternative proponent, or directly to the *AEMC* (as the case may be), but only where such information is necessary to facilitate the provision of supplementary economic analysis to those persons or to the *AEMC*.
- (b) Where the *AEMC* requests *NEMMCO* to provide information under paragraph (a), *NEMMCO* must provide the information to the applicant, to the alternative proponent, or directly to the *AEMC* (as the case may be), as soon as practicable in all the circumstances.
- (c) *NEMMCO* may, in respect of a *constraint* on a *network* direct the *Transmission Network Service Provider* who owns, controls or operates the relevant *network*, to provide information to *NEMMCO* for the purpose referred to in paragraph (a) and the *Transmission Network Service Provider* must provide that information to *NEMMCO* as soon as reasonably practicable.

2A.6 Region determinations

2A.6.1 AEMC powers to make a region determination

- (a) In making a *region determination* in respect of a *region change* application, the *AEMC* may:
- (1) accept or reject the *region change* solution proposed in the application;
 - (2) accept or reject a formal alternative *region* solution;
 - (3) determine that no *region change* should be made;
 - (4) determine a *region change* solution that is different (including materially different) from the *region change* solution proposed in the application; or
 - (5) determine a *region change* solution that is different (including materially different) from a formal alternative *region* solution.
- (b) In making a decision under paragraph (a), the *AEMC* may, subject to this rule 2A.6, adopt the *region change* solution that it considers provides the best available solution to the congestion problem identified in the *region change* application in all the circumstances.

2A.6.2 Matters for consideration in making region determination

In making a *region determination* to adopt a *region change* solution, the *AEMC* must be satisfied:

- (1) that there is a problem with the existing *region* configuration which is attributable to the presence of material and enduring *network congestion* (“a **congestion problem**”);
- (2) that the *region change* solution is technically competent in accordance with the requirements of clause 2A.2.4(a);
- (3) that:
 - (i) the congestion problem will detract materially from economic efficiency; and
 - (ii) the *region change* solution will materially improve economic efficiency,

where economic efficiency includes (but is not limited to):

- (iii) productive efficiency, being the impact on efficiency of *dispatch*, including in respect of bidding incentives and *dispatch* outcomes;
- (iv) efficiency in relation to the management of risk and the facilitation of forward contracting; and
- (v) long term dynamic efficiency – including in relation to making investment decisions;

- (4) that the *region* change solution is an appropriate and timely course of action in all the circumstances, having regard to the alternative congestion management options;
- (5) that the *region* change solution is consistent with *power system security* and *reliability*; and
- (6) where the period for implementation is greater than or less than 3 years, that the implementation period is reasonable in all the circumstances of the *region* determination.

2A.7 Draft region determination and second round consultation

2A.7.1 Publishing of draft region determination

- (a) Before making a final *region* determination, but within 60 *business days* of the end of the first round consultation period, the *AEMC* must publish a draft *region* determination in relation to an application.
- (b) A draft *region* determination must contain the reasons of the *AEMC* as to its decision, with reference to the matters set out in rule 2A.6.

2A.7.2 Second round consultation

- (a) The *AEMC* must publish a notice on its website a draft *region* determination on the application (“the **second round consultation notice**”).
- (b) A second round consultation notice must:
 - (1) contain the draft *region* determination;
 - (2) invite written submissions from any person or body within 60 *business days* of the date of the second round consultation notice (“the **second round consultation period**”).

2A.7.3 Right to make written submissions during second round consultation

Any person or body, within the second round consultation period, may make a written submission in relation to a draft *region* determination.

2A.8 Final region determination

2A.8.1 Final determination for region change

- (a) The *AEMC* must publish on its website a final *region* determination in relation to a *region* change application within 40 *business days* of the end of the second round consultation period.
- (b) A final *region* determination must contain the reasons of the *AEMC* as to its decision with reference to the matters set out in rule 2A.6.

2A.8.2 Formal publication of region determination

If the *AEMC* in a final *region* determination, determines to make a *region* change, the *AEMC* must publish notice of the making of the *region* change in the *South Australian Government Gazette*.

2A.9 Miscellaneous matters for region change process

2A.9.1 AEMC may extend periods of time specified in Chapter 2A

- (a) Despite anything to the contrary in this Chapter 2A, the *AEMC* may, by notice published on its website, extend a period of time specified in Chapter 2A, if the *AEMC* considers that a *region* change application raises issues of sufficient complexity or difficulty or there is a material change in circumstances such that it is in the public interest that the relevant period of time specified in Chapter 2A be extended.
- (b) A notice under paragraph (a) must identify the period of time under Chapter 2A to be extended, and specify the new time that is to apply.
- (c) The *AEMC* may only extend a period of time under this clause 2A.6.3 before the expiry of that time.

2A.9.2 Consultation meeting in relation to region change application

- (a) Any person or body may request, in writing, within 1 week of a first round consultation notice or second round consultation notice (as the case may be), the *AEMC* to hold a consultation meeting in relation to a *region* change application or a draft *region* determination.
- (b) Despite paragraph (a), the *AEMC* may decide not to hold a consultation meeting, and if so, must give the person or body that made the request, its reasons, in writing, for declining to hold a consultation meeting.
- (c) If the *AEMC* decides to hold a consultation meeting, it must publish in the first round consultation notice or the second round consultation notice (as the case may be):
 - (1) notice of the intention to hold such a meeting; and
 - (2) the date, time and place for the holding of the meeting.

Part B – Implementation of region determination

2A.10 Purpose and application of Part B

2A.10.1 Purpose of Part B

The purpose of this Part B of Chapter 2A is to enable the efficient and effective implementation of a *region* determination made by the *AEMC* under Part A of Chapter 2A during an implementation period, and to support a

smooth market transition from old *region* boundaries to new *region* boundaries.

2A.10.2 Application of Part B

Part B of Chapter 2A applies despite any other provision of the *Rules*, (including any guideline or procedure made under the *Rules*) and to the extent of any inconsistency, prevails during an implementation period for the purpose of the implementation functions.

2A.11 Region Change Implementation Procedure

2A.11.1 Submission of draft Region Change Implementation Procedure

- (a) If the *AEMC* in a draft *region* determination, determines to make a *region* change, *NEMMCO* must prepare a draft Region Change Implementation Procedure in respect of the *region* solution adopted by the *AEMC* in that draft *region* determination.
- (b) A draft Region Change Implementation Procedure must set out:
 - (1) a proposed implementation period;
 - (2) an implementation plan that identifies the key implementation steps to be taken during the implementation period;
 - (3) the proposed exercise by *NEMMCO* of the *region* change implementation functions referred to in rule 2A.12.
- (c) *NEMMCO* must submit the draft Region Change Implementation Procedure to the *AEMC* no later than the close of the second round consultation period.
- (c) The *AEMC* must approve a Region Change Implementation Procedure in respect of a final *region* determination that determines to make a *region* change, and may, in consultation with *NEMMCO*, make amendments to the draft Region Change Implementation Procedure prepared by *NEMMCO* that are necessary to implement a final *region* determination.

2A.11.2 Approved Region Change Implementation Procedure

- (a) *NEMMCO* must, as soon as practicable after the date of the final *region* determination *publish* the approved Region Change Implementation Procedure.
- (b) *NEMMCO* may, during the implementation period, amend the approved Region Change Implementation Procedure as necessary, and must *publish* any such amended procedure, giving reasons why the amendment is necessary.

2A.12 NEMMCO region change implementation functions

2A.12.1 General implementation functions

Subject to this Chapter 2A, *NEMMCO* may, during the implementation period, make a decision or take action (including the power to refrain from making a decision or taking action) that is necessary for the implementation of a final *region* determination.

2A.12.2 Implementation functions referable to published implementation procedure

The exercise of the *region* change implementation functions by *NEMMCO* must be referable to and consistent with, the key implementation steps set out in the current *published* Region Change Implementation Procedure.

2A.12.3 Amendment of current or subsequent Regions and Loss Factors Publication

- (a) *NEMMCO* must, as an implementation function, in respect of the current or subsequent *Regions Publication* or Loss Factors Publication, amend those publications as necessary for the effective implementation of a final *region* determination that determines to make a *region* change.
- (b) For the avoidance of doubt, in relation to the publications referred to in paragraph (a), nothing prevents *NEMMCO*:
 - (1) amending those publications to:
 - (i) implement future *region* determinations under the Rules; or
 - (ii) deal with future physical changes to the *network*; or
 - (2) publishing the annual *Regions Publication* and the Loss Factors Publication in a single document.

2A.13 Continuity of regions

On and from a *start date*:

- (1) the *unmodified regions* continue and are taken to be *regions* for all purposes under the *Rules*; and
- (2) the *modified regions* continue and are taken to be *regions* for all purposes under the *Rules*.

[2] Rule 3.5 Regions

Omit rule 3.5.

[3] New definitions for Chapter 2A

[Drafting Note: The definitions below may be located in a separate schedule to Chapter 2A or alternatively, in Chapter 10 in alphabetical order, but are set out separately for easy reference for consultation on the draft Rule].

alternative proponent

A person or body who requests the *AEMC* in a first round submission, to treat a proposed alternative *region* solution as a formal alternative *region* solution.

complete alternative region solution

A proposed alternative *region* solution that satisfies the requirements of clause 2A.4.3(c).

formal alternative region solution

A proposed alternative *region* solution that the *AEMC* has decided is a complete alternative *region* solution under clause 2A.4.4(c).

implementation period

The period commencing on the date of a final *region determination* under clause 2A.8 and ending on the start date.

Loss Factors Publication

The document *published* by *NEMMCO* from time to time under clauses 3.6.1(f) and 3.6.2(f1) that sets out *marginal loss factors*.

proposed alternative region solution

An alternative *region* solution proposed by a person or body in a first round submission for treatment by the *AEMC* as a formal alternative region solution under Chapter 2A.

region change application

An application for a *region* change lodged under rule 2A.2.

region change implementation procedure

A procedure referred to in rule 2A.11 approved by the *AEMC* in a *region determination*, as amended from time to time in accordance with Part B of Chapter 2A.

region change implementation function

means a function referred to in rule 2A.12.

region determination

A determination made by the *AEMC* under Chapter 2A and includes a draft *region* determination or a final *region* determination as the context requires.

start date

The date nominated by the *AEMC* in a final *region determination* on which a change to the existing *regions* comes into effect.

Drafting Note: Definitional Issues Relating to regions

The Commission is seeking comment and discussion on the definition of regions in light of the new process for region change (see page 24 of the Draft Rule Determination). The following definitions are therefore provided as a starting point to allow interested parties to comment:

region

An area determined by the AEMC in accordance with this Chapter 2A, being an area served by a particular part of the *transmission network* containing one or more major *load centres* or *generation centres* or both, and includes:

- (1) the initial *regions*;
- (2) *regions* as changed by a *region determination* made by the AEMC under this Chapter 2A, including *region determinations* that modify:
 - (i) the initial *regions*; or
 - (ii) *regions* previously changed by a *region determination* made by the AEMC.

regional reference node

A location on a *transmission* or *distribution network* to be determined for each *region* by the AEMC in accordance with Chapter 2A.

modified regions

The *regions* identified in the current *Regions Publication* modified as a result of a *region determination* taking effect that determines to make a change to existing *regions*.

new regions

The unmodified *regions* and the modified *regions*.

old regions

The *regions* identified in the current *Regions Publication* immediately prior to the *start date*.

unmodified regions

The *regions* whose boundaries are not affected by a *region determination*.

END OF DRAFT RULE