CHAPTER 8A

8A. Participant Derogations

Purpose of the Chapter

This Chapter contains the *participant derogations* for the purposes of the *National Electricity Law* and the *Rules.*

Part 1 – Derogations Granted to TransGrid

8A.1 Derogation for the Treatment of Contingent Projects under Revenue Determination

8A.1.1 Expiry date

This derogation expires on 1 July 2009.

8A.1.2 Definitions

In this *participant derogation*:

contingent project means a project approved by the *ACCC* and identified in the Determination as a contingent project.

current regulatory control period means the period 1 July 2004 to 30 June 2009.

Determination means the "Final Decision, NSW and ACT Transmission Network Revenue Cap TransGrid 2004-05 to 2008-09" dated 27 April 2005 determined by the *ACCC* pursuant to clause 6.2.4(b) of the National Electricity Code.

maximum allowed revenue means the maximum allowed revenue in the Determination.

TransGrid means the energy services corporation constituted under section 6A of the Energy Services Corporations Act 1995 (NSW).

trigger event means an event identified as a trigger in Attachment G of the Determination in respect of a contingent project.

8A.1.3 Treatment of contingent projects

(a) Where the trigger event identified in respect of a contingent project occurs prior to 1 July 2009, the *AER* must, in accordance with the Determination:

(1) determine:

(i) the total capital expenditure which the *AER* considers is reasonably required for the purpose of undertaking the contingent project*;*

(ii) the forecast capital and incremental operating expenditure for that contingent project for each remaining regulatory year of the current regulatory control period, which the *AER* considers is

reasonably required for the purpose of undertaking the contingent project in accordance with Appendix F of the Determination;

(iii) the likely commencement and completion dates for the contingent project;

(iv) the incremental revenue which is likely to be earned by TransGrid in each remaining regulatory year of the current regulatory control period as a result of the contingent project being undertaken; and

(v) the maximum allowed revenue for each regulatory year in the remainder of the current regulatory control period by adding the incremental revenue for that regulatory year; and

(2) calculate the estimate referred to in subparagraph (1)(iii) in accordance with the Determination, including:

(i) on the basis of the rate of return for TransGrid for the current regulatory control period; and

(ii) consistently with the manner in which depreciation is calculated under the Determination; and

(3) vary the Determination to apply for the remainder of the current regulatory control period in accordance with paragraph (b).

(b) The *AER* may only vary the Determination to the extent necessary:

(1) to adjust the forecast capital expenditure for the current regulatory control period to accommodate the amount of additional capital expenditure determined under paragraph (a)(1)(i); and

(2) to adjust the forecast operating expenditure for the current regulatory control period to accommodate the amount of additional operating expenditure determined under paragraph (a)(1)(ii); and

(3) to reflect the effect of any resultant increase in forecast capital expenditure and incremental operating expenditure on the maximum allowed revenue for each regulatory year in the remainder of the current regulatory control period.

(c) The intended date for commencing the contingent project must be during the current regulatory control period.

Part 2 - Derogations Granted to EnergyAustralia

8A.2 Derogation from clause 3.18.2(g)(2) - Auctions and eligible persons

8A.2.1 Definitions

In this *participant derogation*, rule 8A.2:

commencement date means the day the National Electricity Amendment (EnergyAustralia Participant Derogation (Settlement Residue Auctions)) Rule 2006 commences operation.

EnergyAustralia means the energy distributor known as EnergyAustralia and established under the Energy Services Corporations Act 1995 (NSW).

8A.2.2 Expiry date

This *participant derogation* expires on the earlier of:

(1) 30 June 2009;

(2) the date that EnergyAustralia's retail business is transferred to a new legal entity pursuant to a NSW Government restructure of EnergyAustralia or by any other means;

(3) the date that EnergyAustralia ceases to engage in the activity of owning, controlling or operating a *transmission system*;

(4) the first date after the commencement date on which EnergyAustralia engages in the activity of owning, controlling or operating a *transmission system* that *NEMMCO* determines, in accordance with the criteria developed pursuant to clause 5.6.3(i), is capable of having a material impact on *interconnector* capability; or

(5) the date that EnergyAustralia is not excluded from entering into *SRD agreements* under clause 3.18.2(g)(2).

8A.2.3 Derogation

(a) The reference in clause 3.18.2(g)(2) to *Transmission Network Service Provider* does not include EnergyAustralia.

(b) If this *participant derogation* expires due to the occurrence of the event in clause 8A.2.2(4) of clause 8A2.2, then any *SRD agreement* between *NEMMCO* and EnergyAustralia which is in existence on that date, will terminate on that date.

8A.2A Derogation from inspection and testing of metering installations

8A.2A.1 Definitions

In this *participant derogation*, rule 8A.2A:

EnergyAustralia means the energy distributor known as EnergyAustralia and established under the Energy Services Corporations Act 1995 (NSW).

EnergyAustralia transmission metering installations means any type 2 and type 3 *metering installation* located at the interface between EnergyAustralia's *transmission network* and EnergyAustralia's *distribution network* in New South Wales on the date that the National Electricity Amendment (EnergyAustralia Participant Derogation (Metering Installations)) Rule 2006 commences operation.

expiry date means 1 July 2009 or the publishing of an expiration notice by the *AEMC* under clause 8A.2A.2(h) of this *participant derogation*.

report means a report in writing submitted by EnergyAustralia at 6 monthly intervals, which is prepared as soon as practicable after the EnergyAustralia transmission metering installations are tested, that outlines compliance of the EnergyAustralia transmission metering installations with the requirements of the derogated provisions of the *Rules* as identified in clause 8A.2A.2.

type 2 and type 3 *metering installation* means the meaning given to type 2 and type 3 *metering installations* in Chapter 7 of the *Rules*.

8A.2A.2 Derogation

(a) Until the expiry date, the following clauses of the *Rules* (referred to as the '**derogated provisions of the *Rules***') do not apply to EnergyAustralia transmission *metering installations*:

(1) clause 7.3.1(a)(2);

(2) clause 7.3.4(a); and

(3) clause 7.6.1(a)(2).

(b) Until the expiry date, the EnergyAustralia transmission *metering installations* and the *metering data* generated from them is taken to comply with the requirements of the derogated provisions of the *Rules*.

(c) Until the expiry date, EnergyAustralia must provide a report to *NEMMCO*.

(d) If *NEMMCO* is not satisfied that a report is satisfactory, *NEMMCO* may give notice to EnergyAustralia that it will recommend to the *AEMC* the

issue of a notice under paragraph (f) if the next report continues to be unsatisfactory.

(e) Where a report is unsatisfactory, *NEMMCO* may make appropriate adjustments to the *metering data* in the report to take account of errors in that data, in order to minimise adjustments to the final *settlements* account or for any other requirement of the *Rules*.

(f) If notice was given to EnergyAustralia under paragraph (d) and *NEMMCO* considers that the next report continues to be unsatisfactory, *NEMMCO* may recommend to the *AEMC* the issue of an expiration notice under paragraph (g).

(g) If *NEMMCO* recommends to the *AEMC* the issue of an expiration notice, the *AEMC* may issue a notice having regard to that recommendation and the *national electricity objective*.

(h) A notice must be published in the South Australian Government Gazette and takes effect 4 weeks after it is published.

Part 3 - Derogations Granted to Woolnorth Studland Bay Wind Farm Pty Ltd

8A.3 Derogation for ride through of frequency disturbances

8A.3.1 Definitions

For the purposes of this rule 8A.3:

expiry date means the earlier of:

(1) the date on which the National Electricity Amendment (Technical Standards for Wind Generation and other Generator Connections) Rule 2007 commences operation; or

(2) 1 August 2007.

Studland Bay Wind Farm means Woolnorth Studland Bay Wind Farm Pty Ltd with ACN 111 996 377.

8A.3.2 Non-scheduled generating units as generating units

Until the expiry date referred to in clause 8A.3.1, any *non-scheduled generating units* registered under the *Rules* by Studland Bay Wind Farm are taken to be *scheduled generating units* for the purposes of clause S5.2.5.8(a)(2) of the *Rules*.

8A.3A Derogation for voltage disturbance ride through regime

8A.3A.1 Definitions

For the purposes of this rule 8A.3:

expiry date means the earlier of:

(1) the date on which the National Electricity Amendment (Technical Standards for Wind Generation and other Generator Connections) Rule 2007 commences operation; or

(2) 1 October 2007.

generating units means those *generating units* registered in accordance with the *Rules* to Studland Bay Wind Farm.

Studland Bay Wind Farm means Woolnorth Studland Bay Wind Farm Pty Ltd with ACN 111 996 377.

8A.3A.2 Continuous uninterrupted operation

(a) Subject to paragraphs (b) and (c), until the expiry date, clause S5.2.5.3(a)(2) of the *Rules* requiring *generating units* to be capable of continuous uninterrupted operation at voltages in excess of 110% of normal voltage at the *connection point*, does not apply to the generating units.

(b) The total capacity of the generating units referred to in paragraph (a) must not exceed 80MW.

(c) The capability of the generating units of continuous uninterrupted operation during the occurrence of *power system* voltages in excess of 110% of normal voltage at the *connection point*, must be negotiated and agreed between Studland Bay Wind Farm and the relevant *Network Service Provider*.

Part 4 - Derogations Granted to NEMMCO

8A.4 Deferral of Settlement Payments due to APEC

8A.4.1 Expiry of derogation

This rule 8A.4 expires on 31 December 2007.

8A.4.2 Derogation

(a) For the purposes of clause 3.15.16 of the *Rules* and the *timetable*, the 21st *business day* after the *billing period* commencing on 5 August 2007 is taken to be the 20th *business day*.

(b) For the purposes of the *billing period* commencing on 5 August 2007, clause S3.3.1(b)(6)(ii) of the *Rules* continues to apply as if the *Amending Rule* known as the National Electricity Amendment (NEMMCO Participant Derogation (Deferral of Settlement Payments due to APEC)) Rule 2007 had not been made.

Part 5 [Deleted]

Part 6 - Derogations Granted to Victorian Market Participants

[Deleted]

Part 7 - [Deleted]

Part 8 – Network Constraint Formulation

(a) Despite any other provision of the *Rules* to the contrary, including without limitation clauses 3.6.4(a), 3.6.4(a1), 3.6.4(b), 3.7.2(c)(3), 3.7.3(d)(3), 3.8.1(b)(5), 3.8.1(b)(6), 3.13.4(o) and 3.13.8(a)(5), *network* limitations may occur which impact on both *intra-regional* and *inter-regional* power flows.

(b) *NEMMCO* must determine and represent *network constraints* in *dispatch* which may result from limitations on both *intra-regional* and *inter-regional* power flows.

(c) If the use of a *network constraint* in *dispatch* developed under clause (b) substantially creates, in *NEMMCO's* reasonable opinion, a significant *inter-regional* power flow from a *region* with a *dispatch price* that is greater than the *dispatch price* of the importing *region* (a 'significant counter price power flow'), *NEMMCO* must, without prejudicing its obligations to maintain *power system security*, use reasonable endeavours to apply an alternative formulation for that *network constraint* for the expected duration of the significant counter price power flow. That alternative form of the *network constraint* must apply for the expected period of the significant counter price power flow if the original formulation of the *network constraint* were used.

(c1) Paragraph (c) does not apply to the use of a *network constraint* referred to in the 'Murray/Tumut constraint list' developed pursuant to paragraph (f).

(d) *NEMMCO* must develop and *publish* a procedure for determining when an *inter-regional* power flow referred to in clause (c) is considered to be significant for the purposes of that clause.

(e) Paragraphs (a) – (d) of this *participant derogation* will cease to apply on:

(1) 31 October 2008; or
(2) as otherwise determined by the *AEMC*.

Specific pricing arrangements for Snowy region

(e1) Clauses (f) to (p) commence on 1 October 2005.

(f) *NEMMCO* must determine and *publish* a list of *network constraints* (the 'Murray/Tumut constraint list') developed pursuant to clause (b) that relate directly to managing power flows in either a northward or southward direction between the *network* nodes to which the following *power station*s are directly connected:

(1) Lower Tumut;

(2) Upper Tumut;

(3) Murray; and

(4) Guthega.

(g) For the purpose of clauses (f) to (p), constraint "k" in the Murray/Tumut constraint list must be expressed in the following generic form:

$$\alpha_k \times LT + \beta_k \times UT + \delta_k \times MURR + \lambda_k \times GUTH + \gamma_k \times V\text{-}Sn + \eta_k \times Sn\text{-}NSW \leq RHS_k$$

Where:

LT	is the *dispatch* target for MW from Lower Tumut *power station*;
UT	is the *dispatch* target for MW from Upper Tumut *power station*;
MURR	is the *dispatch* target for MW from Murray *power station*;
GUTH	is the *dispatch* target for MW from Guthega *power station;*
Sn-NSW	is the *dispatch* target for MW flow on the Snowy to NSW *interconnector*;
V-Sn	is the *dispatch* target for MW flow on the Victoria to Snowy *interconnector*; and
RHS	includes a line rating term with an effective coefficient of 1.

(h) (1) Subject to clause (h)(3), if in any *dispatch interval* of a *trading interval* any of the *constraints* in the Murray/Tumut constraint list have bound, then congestion fund payments must be determined for Lower Tumut and Upper Tumut *power station*s pursuant to clauses (i) to (o).

(2) If in any *trading interval* clause (h)(1) does not apply, then no congestion fund payments need be determined pursuant to clauses (i) to (o) for that *trading interval*.

(3) If in any *trading interval* an *administered price period* is declared pursuant to clause 3.14.2, in any one of the Victorian, Snowy or NSW *regions*, no congestion fund payments are to be determined for that *trading interval* pursuant to this *participant derogation*.

(i) If congestion fund payments must be determined for Lower Tumut and Upper Tumut *power station*s pursuant to clause (h)(1) then, for each relevant *trading interval*, *NEMMCO* must determine power flows between Murray and Tumut as either northwards or southwards as follows.

Let:

X	be, for each *dispatch interval* in a *trading interval*, the sum of the absolute value of all RHS values of binding *constraints* in the Murray/Tumut constraint list where the *constraint* has bound on flows in the direction from Tumut to Murray; and
Y	be, for each *dispatch interval* in a *trading interval*, the sum of the absolute value of all RHS values of binding *constraints* in the Murray/Tumut constraint list where the *constraint* has bound on flows in the direction from Murray to Tumut.

If:

$X < Y$ then power flows for the *trading interval* between Murray and Tumut must be determined as northwards and congestion fund payments must be determined for Lower Tumut and Upper Tumut *power station*s pursuant to clause (n); and

$X \geq Y$ then power flows for the *trading interval* between Murray and Tumut must be determined as southwards and congestion fund payments must be determined for Lower Tumut and Upper Tumut *power station*s pursuant to clause (o).

(j) In any *trading interval* where any of the *constraints* in the Murray/Tumut constraint list have bound for one or more *dispatch intervals*, *NEMMCO* must perform the following calculation for every *dispatch interval* in the relevant *trading interval*:

$$SPd_p = \left[DP_{Snowy} \times TLF_p \right] - \left[\sum_k (CSPa_k \times Coeff_{p,k}) \right] \text{ for p = Lower Tumut and Upper Tumut}$$

Where:

SPd_p is the substitute price for each *dispatch interval* for *generation* from *power station* "p";

DP_{Snowy} is the *dispatch price* that applies to the Snowy *region* for the relevant *dispatch interval*;

TLF_p is the *transmission loss factor* for *power station* "p";

$CSPa_k$ is the *constraint* marginal value ($/MWh) as determined by the *dispatch* engine for each *dispatch interval* of relieving binding *constraint* "k" by a marginal amount; and

$Coeff_{p,k}$ is the coefficient (α, β, δ, λ, γ or η) assigned to element "p" in *constraint* "k" from the Murray/Tumut constraint list developed pursuant to clause (g),

and subject to the following:

(1) if the SPd_p determined pursuant to this clause is calculated as an amount less than the *market floor price* it must be deemed to be equal to the *market floor price*; and

(2) if the SPd_p determined pursuant to this clause is calculated as an amount greater than *VoLL* it must be deemed to be equal to *VoLL*.

(k) A substitute price (SP) for each *trading interval* must be determined by *NEMMCO* for generation from *power station* "p" as follows:

SP_p is the substitute price being the arithmetic average for a *trading interval* of each relevant *dispatch interval* of SPd_p; and

SPd_p is as determined pursuant to clause (j).

(l) *NEMMCO* must determine for each relevant *trading interval* an *energy* value differential (EVD) as follows:

$$EVD_p = SP_p - (TLF_p \times RRP_{Snowy}) \text{ for p = Lower Tumut and Upper Tumut}$$

Where:

EVD_p is the per unit *energy* value differential for a *trading interval* for *power station* "p";
TLF_p is the *transmission loss factor* for *power station* "p";
SP_p is the substitute price determined pursuant to clause (k); and
RRP_{Snowy} is the *regional reference price* for a *trading interval* that applies to the Snowy *region*.

(m) A CSC allocation factor is determined as follows:

$$\text{CSC allocation factor} = (A - B) / A$$

Where:

A is nominal *transmission* limit between Murray and Tumut which is to be taken as 1350 MW for the purpose of this *participant derogation*; and
B is nominal *interconnector* capacity from the NSW *region* to the Snowy *region* which is to be taken as 800 MW for the purpose of this *participant derogation*.

In clauses (n) and (o), the following conventions apply:

a "trading amount" (TA) is a payment to or from a *Market Participant* or inter-regional settlement residue fund;

if TA > 0, then this represents a payment *to* the *Market Participant* or inter-regional settlement residue fund as appropriate;

if TA < 0, then this represents a payment *from* the *Market Participant* or inter-regional settlement residue fund as appropriate.

(n) If power flows between Murray and Tumut for a *trading interval* have been determined as northwards pursuant to clause (i), *NEMMCO* must determine the following amounts:

(1) An *energy* value adjustment determined as follows:

$$EVA_N = \sum_p (AGE_p \times EVD_p) \text{ for p = Lower Tumut and Upper Tumut}$$

Where:

EVA_N is the *energy* value adjustment for northward flows between Murray and Tumut that is to be applied to the determination of the trading amount pursuant to this clause (n);

AGE_p is the adjusted gross *energy* for a *trading interval* for *generation* from *power station* "p"; and

EVD_p is the *energy* value differential determined pursuant to clause (l) for *generation* from *power station* "p";

(2) *Trading amounts* determined as follows:

$TA_1 = Min (EVA_N, IRSR_{Sn–NSW})$

$TA_7 = –1 \times Min (0, IRSR_{Vic–Sn})$

$TA_2 = –1 \times TA_1 – TA_7$

Where:

TA_1 is a *trading amount* for Snowy Hydro Limited;

$IRSR_{Sn–NSW}$ is the inter-regional settlement residue allocated to flows **from the Snowy *region* to the NSW *region*** for the relevant *trading interval*;

$IRSR_{Vic–Sn}$ is the inter-regional settlement residue allocated to flows **from the Victorian *region* to the Snowy *region*** for the relevant *trading interval*;

TA_2 is a *trading amount* for the inter-regional settlement residue allocated to flows **from the Snowy *region* to the NSW *region***; and

TA_7 is a *trading amount* for the inter-regional settlement residue allocated to flows **from the Victorian *region* to the Snowy *region***.

(o) If power flows between Murray and Tumut for a *trading interval* have been determined as southwards pursuant to clause (i), *NEMMCO* must determine the following amounts:

(1) A *trading amount* determined as follows:

$$TA_3 = \sum_p (AGE_p \times EVD_p) \text{ for p = Lower Tumut and Upper Tumut}$$

Where:

TA_3 is a *trading amount* for Snowy Hydro Limited;

AGE_p is the adjusted gross *energy* for a *trading interval* for *generation* from *power station* "p"; and

EVD_p is the *energy* value differential determined pursuant to clause (l) for *generation* from *power station* "p";

(2) A *settlements residue trading amount* determined as follows:

$$TA_4 = -1 \times IRSR_{Sn-NSW}$$

Where:

TA_4	is a *trading amount* for the inter-regional settlement residue allocated to flows **from the Snowy *region* to the NSW *region***; and
$IRSR_{Sn-NSW}$	is the inter-regional settlement residue allocated to flows **from the Snowy *region* to the NSW *region*** for the relevant *trading interval*;

(3) A *trading amount* to determined as follows:

$$TA_5 = (IRSR_{NSW-Sn} - TA_3 - TA_4) * \text{CSC allocation factor}$$

Where:

TA_5	is a *trading amount* for Snowy Hydro Limited;
$IRSR_{NSW-Sn}$	is the inter-regional settlement residue allocated to flows **from the NSW *region* to the Snowy *region*** for the relevant *trading interval*; and
CSC allocation factor	is the CSC allocation factor determined pursuant to clause (m).

(4) A *settlements residue trading amount* determined as follows:

$$TA_8 = -1 \times Min (0, IRSR_{Sn-Vic})$$

where:

TA_8	is a *trading amount* for the inter-regional settlement residue allocated to flows **from the Snowy *region* to the Victorian *region***; and
$IRSR_{Sn-Vic}$	is the inter-regional settlement residue allocated to flows **from the Snowy *region* to the Victorian *region*** for the relevant *trading interval*.

(5) A *settlements residue trading amount* determined as follows:

$$TA_6 = (-1 \times TA_3) - TA_4 - TA_5 - TA_8$$

where:

TA_6	is a *trading amount* for the inter-regional settlement residue allocated to flows **from the NSW *region* to the Snowy *region***; and
$IRSR_{Sn–Vic}$	is the inter-regional settlement residue allocated to flows **from the Snowy *region* to the Victorian *region*** for the relevant *trading interval*.

(p) *NEMMCO* must *publish* all *trading amounts* arising from application of this *participant derogation* (if any) using the current settlement cycle.

(q) Paragraph (c1) and paragraphs (e1) – (p) of this *participant derogation* will cease to apply at 00:00 hours *EST* on 1 July 2008.

Part 9 – Participant Derogation Granted to Hydro Tasmania

1. Scope of Derogation

This *participant derogation* operates to modify or vary the obligations that apply to Hydro Tasmania under clauses S7.2.2 and S7.2.3 of schedule 7.2 in relation to the *metering installations* referred to in paragraph 2, in the manner specified in paragraph 3 and subject to the reporting requirements set out in paragraph 5.

1A. Commencement of Derogation

This *participant derogation* commences on the date that Tasmania becomes a *participating jurisdiction* (for the purposes of this *participant derogation*, such date is referred to as the "commencement date").

2. Metering Installations to which the Derogation Applies

The modifications or variations to clauses S7.2.2 and S7.2.3 of schedule 7.2 specified in paragraph 3 apply to the *metering installations* in respect of any *generating unit* operated by Hydro Tasmania and located in Tasmania, where the relevant *metering installation*:

(a) was originally commissioned by Hydro Tasmania prior to the time at which section 6 of the *Electricity National Scheme (Tasmania) Act 1999* commenced; and

(b) as at the commencement date, does not comply with the provisions of clauses S7.2.2 or S7.2.3 of schedule 7.2.

3. Scope of Derogation

The accuracy levels of the *metering installations* referred to in paragraph 2 will be calculated by multiplying the values in Tables S7.2.3.1, S7.2.3.2, S7.2.3.3, S7.2.3.4 and S7.2.3.5 of schedule 7.2 by a factor of 3.

4. Cessation of Derogation

This *participant derogation* ceases to apply on the day which is the earlier of:

(a) the day on which the last of the *metering installations* referred to in paragraph 2 complies with the provisions of clauses S7.2.2 and S7.2.3 of schedule 7.2; or

(b) the day which is 12 months after the commencement date.

5. Reporting

Within 5 *business days* after the commencement date Hydro Tasmania must provide to the *AEMC* a plan showing a current scheduled *metering installations* works programme and thereafter must provide the *AEMC* with quarterly updates showing actual progress against that plan.

Part 10 – Statement of Opportunities

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Part 11 - Transitional Arrangement for Market Ancillary Services for Tasmanian Entry

(a) This *participant derogation* has effect in *trading intervals* following a declaration by *NEMMCO* of the readiness of *market* systems to implement this *participant derogation*.

(b) The total amount calculated by *NEMMCO* under clause 3.15.6A(a) for each of the *regulation services* in respect of each *dispatch interval* which falls within the *trading interval* must be allocated to each *region* in accordance with the following procedure and the information provided under clause 3.9.2A(b). *NEMMCO* must:

(1) allocate for each *region* and for each *dispatch interval* within the relevant *trading interval* the proportion of the total amount calculated by *NEMMCO* under clause 3.15.6A(a) for each of the relevant *market ancillary services* between *global market ancillary service requirements* and *local market ancillary service requirements* pro-rata to the respective marginal prices for each such service;

(2) calculate for each relevant *dispatch interval* the sum of the costs of acquiring the *global market ancillary service requirements* for all *regions* and the sum of the costs of acquiring each *local market ancillary service requirement* for all *regions*, as determined pursuant to clause (b)(1);

(3) allocate for each relevant *dispatch interval* the sum of the costs of each *local market ancillary service requirement* relevant only to the Tasmanian *region* calculated in clause (b)(2) to *Market Customers* and *Market Generators* in the Tasmanian *region* only in accordance with the principles set down under clause 3.15.6A (h) to (n). For this purpose the following terms used in clauses 3.15.6A (h) and (i) are deemed to be defined as below instead of as set out in clause 3.15.6A(h) and (i):

TSFCAS (in $) = the total of all amounts allocated under this clause (b)(3);

MPF (a number) = the factor last set by *NEMMCO* for the *Market Generator* or *Market Customer* as the case may be under clause 3.15.6A(j) for the purposes of this clause (b)(3);

AMPF (a number) = the aggregate of all the MPF figures last set for the purposes of this clause (b)(3);

TCE (in MWh) = the *customer energy* for the *Market Customer* in the Tasmanian *region* for the *trading interval*; and

ATCE (in MWh) = the aggregate of the *customer energy* figures for all *Market Customers* in the Tasmanian *region*, for whom the *trading amount* is not calculated in accordance with the formula in clause 3.15.6A (h), for the *trading interval*;

(4) allocate for each relevant *dispatch interval* the sum of the costs of each *local market ancillary service requirement* not relevant to the Tasmanian *region* calculated in clause (b)(2) to *Market Customers* and *Market Generators* in all *regions* except the Tasmanian *region* in accordance with the principles set down under clause 3.15.6A (h) to (n). For this purpose the following terms used in clauses 3.15.6A (h) and (i) are deemed to be defined as below instead of as set out in clause 3.15.6A(h) and (i) respectively:

TSFCAS (in $) = the total of all amounts allocated under this clause (b)(4);

MPF (a number) = the factor last set by *NEMMCO* for the *Market Generator* or *Market Customer* as the case may be under clause 3.15.6A(j) for the purposes of this clause (b)(4);

AMPF (a number) = the aggregate of all the MPF figures last set for the purposes of this clause (b)(4);

TCE (in MWh) = the *customer energy* for the *Market Customer* in all *regions* except the Tasmanian *region* for the *trading interval*; and

ATCE (in MWh) = the aggregate of the *customer energy* figures for all *Market Customers* in all *regions* except the Tasmanian *region*, for whom the *trading amount* is not calculated in accordance with the formula in clause 3.15.6A (h), for the *trading interval*; and

(5) allocate for each relevant *dispatch interval* the sum of the costs of each *global market ancillary service requirement* and each *local market ancillary service requirement* relevant to the Tasmanian *region* and also relevant to at least one other region calculated in clause (b)(2) as follows:

(i) the sum of the costs is to be divided into two amounts being "AT" and "AM" being in proportion to the *customer energy* in the Tasmanian *region* and the total *customer energy* in all other regions respectively;

(ii) the amount "AT" is to be allocated to *Market Customers* and *Market Generators* in the Tasmanian *region* only in the same manner as for clause (b)(3); and

(iii) the amount "AM" is to be allocated to *Market Customers* and *Market Generators* in all *regions* except the Tasmanian *region* in the same manner as for clause (b)(4).

(c) Until such time as *NEMMCO* has acquired sufficient data to enable the initial calculation and publication of the factors referred to in clauses 3.15.6A(h) and 3.15.6A(i) *regulation services* costs in Tasmania must be recovered from *Market Generators* and *Market Customers* in Tasmania pro-rata to estimated average customer or generator energy as appropriate. *NEMMCO* may determine these estimates based upon historical information. *NEMMCO* may initiate the accumulation of data at any time prior to Tasmania becoming a *participating jurisdiction* and may use any data so gathered to calculate the initial causer pays factors notwithstanding that Tasmania was not a *participating jurisdiction* at that time.

(d) This *participant derogation* expires on the earlier of 31 December 2008 and the time specified in a *market* notice whereby *NEMMCO* declares that changes to its *market* systems to implement *Rules* changes that permit the regional recovery of *regulation services* costs will become effective.

Part 12 - Ancillary Services Provisions

1. Transitional Arrangements

(a) The Invitation to Tender issued by *NEMMCO* on 18 October 2000 (as amended from time to time) (called the "Third ITT") is to be taken as having been a call for offers under clause 3.11.5 notwithstanding anything else in the *Rules* or the fact that the description and the procedure contemplated by clause 3.11.3 did not exist at the time the Third ITT was issued.

(b) Notwithstanding anything else in the *Rules*:

(1) the description of each *ancillary service* included in the Third ITT is deemed to be the description contemplated by clause 3.11.3; and

(2) the quantities specified as indicative *NEMMCO* requirements in schedule A to the Third ITT in respect of the *power system* are to be taken to have been determined by applying a procedure developed under clause 3.11.3.

2. Extension of Existing Ancillary Services Agreements

(a) Notwithstanding clause 3.11.5, if *NEMMCO* is a party to an agreement for the provision to *NEMMCO* of *ancillary services* and one or more schedules to that agreement is due to terminate, then *NEMMCO* may, by agreement with the service provider under that agreement, extend the period during which the service provider is obliged to provide the kind of *ancillary services* to which the schedule relates or those schedules relate on terms and conditions agreed between *NEMMCO* and the service provider.

(b) This clause 2 ceases to apply on 30 June 2007.