

NEMMCO

National Electricity Market
Management Company Ltd

ABN 94 072 010 327

Sydney Office

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Dr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box A2449
SOUTH SYDNEY NSW 1235

Dear John

Clarification of Market Information Requirements for Market Ancillary Services

NEMMCO requests the AEMC consider making a Rule under sections 91 and 96 of the *National Electricity Law (NEL)*. The proposed Rule seeks to modify clause 3.13.4A(a) of the *National Electricity Rules (Rules)* with respect to NEMMCO's market information requirements for market ancillary services.

NEMMCO considers that the proposed Rule change is non-controversial as it is unlikely to have a significant effect on the National Electricity Market (**NEM**), as is required for an expedited consultation process under section 96 of the NEL.

A description of the proposed Rule, statement of the issues concerning the existing Rules, and how the proposed Rule addresses those issues consistent with the national electricity objective (**NEO**) is in Attachment A.

NEMMCO would be pleased if you could have these matters considered by the AEMC. For further details, please do not hesitate to contact Mark Miller on (02) 8884 5020.

Yours sincerely


Brian Spalding
Chief Operating Officer

Enc. Attachment A: Request for Rule change

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Attachment A

1. Statement of Issues

This section outlines the relevant background, considers the current provision and identifies the issues with the Rules regarding clause 3.13.4A(a). Additionally, NEMMCO's proposed solution to this issue is discussed.

1.1 Background

In order to maintain power system security NEMMCO needs to control system frequency. To do this, NEMMCO acquires frequency control ancillary services (**FCAS**) from Market Participants. FCAS is allocated to meet the standards set by the Reliability Panel and implemented using constraint equations that specify global and local requirements.

Constraint equations are used to determine the amount of FCAS required. The amount of FCAS required can depend on loadings on generating units and interconnector flows. The dispatch algorithm finds the optimal balance between low cost energy production and the cost of providing FCAS. The method of determining FCAS has changed from the start of the market; previously, FCAS requirements were fixed and were based on generic considerations, such as the capacity of the largest generating unit. FCAS is now procured by classification of ancillary services generating units and loads, procured on demand, and settled through the spot market.

FCAS can only be forecast using dispatch and pre-dispatch because they have the price information to optimise the combined requirements to meet demand for electricity and the frequency control standards set by the Reliability Panel. NEMMCO publishes pre-dispatch for all trading intervals up to the end of the next trading day, including for FCAS. This is possible because the Rules require Scheduled Generators to submit dispatch offers by 1200 hours for each trading day. The dispatch offers are not available to NEMMCO prior to the pre-dispatch timeframe, except perhaps as default bids.

1.2 Rules Provision

NEMMCO's market information requirements for FCAS are as follows:

Clause 3.13.4A

- (a) *NEMMCO* must each week, in accordance with the *timetable*, *publish* a forecast of the requirements for each type of *market ancillary service* for each *region* for the following week.
- (b) *NEMMCO* must *publish* information describing the key factors which determine the requirement for each type of *market ancillary service* and how they impact on forecast requirements.
- (c) *NEMMCO* must *publish* information detailing any significant changes to the forecast requirement for any *market ancillary service* previously *published* under clause 3.13.4A(a), as soon as reasonably practicable after becoming aware of that information.

NEMMCO uses the pre-dispatch schedule to produce the forecast information referred to in clauses 3.13.4A(a) and (c), and publishes information on the key factors (i.e. constraint equations) in the constraint library, as referred to in clause 3.13.4A(b).

1.3 The Issue with the Current Provisions

Since the FCAS market started, NEMMCO has improved its process of acquiring FCAS so that less FCAS is acquired when, for example, the largest generating unit is not dispatched to its capacity. As a part of this process, NEMMCO provides Market Participants with details of FCAS constraint equations through the constraint library, which allows them to form their own view on future FCAS requirements. The obligations in clause 3.13.4A(a) are consistent with NEMMCO's former process of acquiring FCAS, rather than reflecting the requirements of the current process. Thus, the proposed Rule change seeks to align NEMMCO's information requirements and current practices to ensure that they reflect what is presently possible and consistent with the substance of the current process.

Under the current arrangements, the forecasting of FCAS requirements depends on detailed information, such as forecast loading of generating units and forecast interconnector flows; this is only available in the pre-dispatch timeframe. Since the Rules do not place a corresponding requirement on Market Participants to provide NEMMCO with up-to-date bid and offer information beyond the pre-dispatch timeframe this makes it not possible to produce a weekly forecast. Consequently, NEMMCO has been unable to fulfil this requirement.

Given these limitations, NEMMCO submits that clause 3.13.4A(a) should be modified to ensure NEMMCO's requirement is consistent with the current process. The proposed Rule will not alter NEMMCO's requirement to make details of FCAS constraint equations available since this requirement exists under clause 3.13.4A(b).

2. Proposed Rule

This section provides a description of the proposed Rule, NEMMCO's right to submit the proposed Rule changes to the AEMC, the AEMC's power to consider this proposed Rule change, and NEMMCO's request that the Rule be considered non-controversial under section 96 of the NEL.

2.1 Description of Proposed Rule

The proposed Rule modifies NEMMCO's obligation to publish its forecast requirements for FCAS. It would require NEMMCO to provide daily forecasts, consistent with what it is capable of publishing as a consequence of the current practice, instead of weekly forecasts. The proposed change to clause 3.13.4A(a) is as follows:

NEMMCO must each day week, in accordance with the timetable, publish a forecast of the requirements for each type of market ancillary service for each region for each trading interval during the period described in clause 3.8.20(a) ~~information~~ the following week.

2.2 NEMMCO's Right to Submit this Proposal

NEMMCO is requesting that the AEMC make this proposed Rule in accordance with section 91 of the NEL.

NEMMCO has the following relevant functions under the NEL:

- to operate and administer the NEM;
- to promote the development and improve the effectiveness of the operation and administration of the NEM; and
- to maintain and improve power system security.

Under section 91(1) of the NEL, the AEMC may make a Rule at the request of any person, the MCE or the Reliability Panel. As such, NEMMCO may request the AEMC make a Rule.

2.3 Power of the AEMC to Make the Proposed Rule

The subject matters about which the AEMC may make Rules are set out in section 34 of the NEL and, more specifically, in Schedule 1 to the NEL.

NEMMCO considers that the proposed Rule falls within the subject matters that the AEMC may make Rules about, as it relates to the operation of the NEM and the activities of persons participating in the NEM or involved in its operation. Specifically, the proposed Rule is within matters set out in Schedule 1 to the NEL, as it relates to the setting of prices for electricity and services purchased through the wholesale exchange operated and administered by NEMMCO.

2.4 Request for a Non-Controversial Rule

NEMMCO requests that the AEMC reviews this Rule change proposal under section 96 of the NEL. Section 96 applies if the AEMC considers that a request for a Rule is a request for a non-controversial Rule. A non-controversial Rule means a Rule that is unlikely to have a significant effect on the NEM.

NEMMCO considers that section 96 applies to this proposal because the proposed Rule is unlikely to have a significant effect on the NEM since it reflects what occurs, and is accepted, in practice.

2.5 Consultation

NEMMCO has not formally consulted on the proposed Rule. NEMMCO notes, however, that the changes to the FCAS market that resulted in the current process were made in consultation with the market.

3. How the proposed Rule is likely to contribute to the National Electricity Objective and the Expected Costs and Benefits

Before the AEMC can make a Rule change it must apply the rule making test set out in the NEL which requires it to assess whether the proposed Rule will or is likely to contribute to the NEO. Section 7 of the NEL states the NEO 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, reliability and security of supply of electricity; and
- (b) the reliability, safety and security of the national electricity system.

NEMMCO submits that the proposed Rule satisfies the requirements of the rule making test. The remainder of this section discusses the expected benefits and costs of the proposed Rule and how it contributes to the NEO.

3.1 Analysis of the Proposed Rule against the National Electricity Objective

The proposed Rule change is a minor amendment to NEMMCO's FCAS forecasting obligation. NEMMCO considers that the proposed Rule would promote good regulatory practice by bringing the requirement into alignment with what occurs in practice. This would improve clarity and consistency with clause 3.13.4A(a) and the efficiency of the Rules which, in turn, fosters an environment of efficient investment and efficient use of electricity services.

3.2 Expected Benefits and Costs of the Proposed Rule

NEMMCO does not expect that any party would be adversely affected by the proposed Rule as it merely clarifies a long standing practice within the NEM; for the same reason, NEMMCO does not expect that there will be any associated costs.

GLOSSARY

Term or Abbreviation	Explanation
AEMC	Australian Energy Market Commission
FCAS	Frequency Control Ancillary Services
NEM	National Electricity Market
NEO	The national electricity objective as stated in section 7 of the NEL.
NEL	National Electricity Law
Rules	National Electricity Rules