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Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

By Email: submissions@aemc.gov.au

Dear Dr Tamblyn

Proposed Rule change: Re-classification of Contingency Events

The National Generators Forum has been actively considering issues arising from the disruption of Victorian electricity supply on 16 January 2007. In this context we have been in contact with the AER and had discussions about their concerns that ultimately led to their Rule change proposal.

The NGF supports the intentions behind this Rule change and indeed, had not the AER progressed this proposal, would probably have brought forward a similar proposal.

Our comments are therefore limited to some suggested drafting changes to better express what we believe the intention to be. For this purpose we have reproduced Appendix A from the AER as an attachment, with suggested changes.

These changes have the following intentions;

- To place a positive obligation on NEMMCO to ensure it has prompt information on any abnormal conditions, as this information is critical to reclassification decisions,
- To make the obligations on NEMMCO dependent on it having knowledge of an abnormal condition, and
- To minimise the confusion in drafting that may arise from a particular contingency event changing from non-credible to credible

In reviewing this Rule change proposal, the NGF has formed the view that clause 4.2.3, which is modified under the proposal, contains drafting errors in parts not affected by the proposal. We recommend that your Commission review this part of the Rules but do not wish to delay the desirable changes proposed by the AER.

Yours sincerely

John Boshier
Executive Director

APPENDIX A
RULE CHANGE REQUEST – RECLASSIFICATION OF CONTINGENCY
EVENTS
TEXT OF PROPOSED AMENDMENTS
[\(with suggested changes by the NGF\)](#)

1. Amend clause 4.2.3 as follows:

4.2.3 Credible and non-credible contingency events

(a) A “*contingency event*” means an event affecting the *power system* which *NEMMCO* expects would be likely to involve the failure or removal from operational service of a *generating unit* or *transmission element*.

(b) A “*credible contingency event*” means a *contingency event* the occurrence of which *NEMMCO* considers to be reasonably possible in the surrounding circumstances including the *technical envelope*. Without limitation, examples of *credible contingency events* are likely to include:

- (1) the unexpected automatic or manual *disconnection* of, or the unplanned reduction in capacity of, one operating *generating unit*; or
- (2) the unexpected *disconnection* of one major item of *transmission plant* (e.g. *transmission line*, *transformer* or *reactive plant*) other than as a result of a three phase electrical fault anywhere on the *power system*.

(c) A “*single credible contingency event*” means an individual *credible contingency event* for which a *Registered Participant* adversely affected by the event would reasonably expect, under normal conditions, the design or operation of the relevant part of the *power system* would adequately cater, so as to avoid significant disruption to *power system security*.

(d) The “*critical single credible contingency event*” at any particular time is the *single credible contingency event* considered by *NEMMCO*, in the particular circumstances, to have the potential for the most significant impact on the *power system* at that time. This would generally be the instantaneous loss of the largest *generating unit* on the *power system*. Alternatively, it might be the loss of any *interconnection* under *abnormal conditions*.

(e) A “*non-credible contingency event*” is a *contingency event* other than a *credible contingency event*. Without limitation, examples of *non-credible contingency events* are likely to include:

- (1) three phase electrical faults on the *power system*; or
- (2) simultaneous disruptive events such as:
 - (i) multiple *generating unit* failures; or
 - (ii) double circuit *transmission line* failure (such as may be caused by tower collapse).

2. Delete clause 4.2.3(f).

3. Insert a new clause 4.2.3A

4.2.3A Re-classifying contingency events

(a) Abnormal conditions are conditions posing added risks to the *power system* including, without limitation, severe weather conditions, lightning, storms, and bush fires.

(b) ~~It is~~ NEMMCO must take all reasonable steps to ensure that it is informed promptly in the case of *abnormal conditions*, and when *abnormal conditions* are known to exist *NEMMCO* must:

1) on an ongoing basis, make reasonable attempts to obtain all information relating to how the *abnormal conditions* may affect a *contingency event* from all available sources, including from *Registered Participants*, emergency services agencies and any other body that may possess relevant information.

2) identify any *non-credible contingency event* the occurrence of which is made more likely by the existence of the *abnormal conditions*.

(c) As soon as practicable after *NEMMCO* identifies a *non-credible contingency event* in accordance with clause 4.2.3A(b), *NEMMCO* must provide *Market Participants* with a notification specifying:

(1) the abnormal conditions;

(2) the relevant *non-credible contingency event*

(3) *NEMMCO*'s current assessment of the likelihood of the occurrence of the event – that is whether ~~it is~~ *NEMMCO* has reclassified this event as a *credible contingency event* under 4.2.3A(g) ~~or a *non-credible contingency event*~~;

(4) information in its possession that is relevant to its consideration under clause 4.2.3A(e), the source of that information and the time that information was received or confirmed by *NEMMCO*;

(5) the time at which the notification has been issued; and

(6) the time at which an updated notification is expected to be issued, where this might be necessary.

(d) *NEMMCO* must update a notification issued in accordance with clause 4.2.3A(c) as it becomes aware of new information that is material to the assessment under clause 4.2.3A(e), and in any event no later than the time indicated in the original notification pursuant to clause 4.2.3A(c)(6), until such time as it issues a notification specifying that the *abnormal conditions* have ceased to have a material effect on the likely occurrence of the *non-credible contingency event*.

(e) If *NEMMCO* identifies a *non-credible contingency event* in accordance with clause 4.2.3A(b) it must, on an ongoing basis, consider whether the occurrence of the *non-credible contingency event* is reasonably possible, having regard to all the facts and circumstances.

(f) In undertaking its consideration in accordance with clause 4.2.3A(e) *NEMMCO* must have regard to criteria referred to in clause 4.2.3B.

(g) If, after undertaking a consideration in accordance with clause 4.2.3A(e), *NEMMCO* reasonably considers that the *abnormal conditions* make the occurrence of a *non-credible contingency event* reasonably possible, it must reclassify that event to be a *credible contingency event* and must notify *Market Participants* as soon as practicable.

(h) If, after reclassifying a *non-credible contingency event* to be a *credible contingency event* in accordance with clause 4.2.3A(g), *NEMMCO* considers that the relevant facts and circumstances have changed so that the occurrence of that *contingency event* is no longer reasonably possible, *NEMMCO* may reclassify that *event* to be a *non-credible contingency event*. If *NEMMCO* does so, it must update the notification to *Market Participants* in accordance with clause 4.2.3A(d) as soon as practicable.

(i) Every six months, *NEMMCO* must issue a report setting out its reasons for all decisions to re-classify *non-credible contingency events* to be *credible contingency events* under clause 4.2.3A(g) during the relevant period. The report must include an explanation of how *NEMMCO* applied the criteria established in accordance with clause 4.2.3B for each of those decisions. The report may also include *NEMMCO*'s analysis of re-classification trends during the relevant period and its appraisal of the appropriateness and effectiveness of the relevant criteria that were applied in the case of each re-classification decision.

NB: The AER recommends that clause 4.2.3A(f) not come into effect until *NEMMCO* has established the criteria referred to in proposed clause 4.2.3B (below).

4. Insert a new clause 4.2.3B

4.2.3B Criteria for re-classifying contingency events

(a) Within 6 months of the commencement of this clause, *NEMMCO* must establish criteria that it must use when considering whether *abnormal conditions* make the occurrence of a *non-credible contingency event* reasonably possible under clause 4.2.3A(g). *NEMMCO* must:

- (1) establish the criteria following consultation with relevant stakeholders including *Market Participants*, *Transmission Network Service Providers*, *Jurisdictional System Security Coordinators* and emergency services;
- (2) ensure that the criteria include a requirement to have regard to the particulars of any risk(s) to the *power system* associated with the various types of *abnormal conditions* that might arise; and
- (3) publish the criteria on its website as soon as practicable after the criteria have been established.

(b) *NEMMCO* must review the criteria established in accordance with clause 4.2.3B(a) every 12 months. *NEMMCO* must undertake the review following consultation with relevant stakeholders including *Market Participants*, *Transmission Network Service Providers*, *Jurisdictional System Security Coordinators* and emergency services.

(c) *NEMMCO* may amend the criteria established under clause 4.2.3B(a) following consultation with relevant stakeholders including *Market Participants, Transmission Network Service Providers, Jurisdictional System Security Coordinators* and emergency services.

5. Amend clause 4.8.15 by inserting the following:

(ca) With respect to a report that has been prepared by *NEMMCO* in accordance with clause 4.8.15(a)(1) or (3) that relates to an operating incident involving a *non-credible contingency event*, the report must include details of how the re-classification criteria identified under clause 4.2.3B that are applicable to that *contingency event* were assessed and applied in the context of that event.