



Compliance with dispatch instructions

Stakeholder submissions invited on new rule change request

The Australian Energy Market Commission (AEMC) has commenced consultation on a rule change request from Snowy Hydro to amend the current arrangements for compliance with dispatch instructions.

Background

The National Electricity Market (NEM) is designed to produce electricity safely and at an efficient cost. It is a decentralised electricity market in which market participants such as generators and scheduled loads independently make bids and offers to consume or produce electricity in each dispatch interval. Based on this information, AEMO issues dispatch instructions which reflect, among other things, the most efficient mix of generation and allow electricity supply and demand to be safely balanced.

Under the current arrangements, a market participant is required to comply with dispatch instructions, except in circumstances where it believes that doing so would be a hazard to public safety or materially risk damaging equipment. The Australian Energy Regulator (AER) is responsible for monitoring and enforcing compliance with these obligations. It has discretion in deciding whether to take enforcement action and the nature of that action.

The Australian Energy Market Operator (AEMO) also monitors the extent to which generators comply with dispatch targets for the efficient operation of the market.

The rule change request

On 13 April 2015, Snowy Hydro submitted a rule change request to the AEMC to amend the National Electricity Rules (NER) relating to compliance with dispatch instructions. It contends that there are a number of issues with the current arrangements, including:

- the requirement to always comply with dispatch instructions is physically impossible;
- they are unnecessary for the safe and efficient operation of the NEM and impose an unnecessary compliance burden; and
- discretion around enforcement of non-compliance by the AER creates an uncertain regulatory risk.

Snowy Hydro's proposed solution would change the standard for compliance with dispatch instructions. It would mean a participant would be safe from being found in breach of the relevant rules where either:

- it used reasonable endeavours to comply with a dispatch instruction; or
- it was not found by AEMO to be non-conforming.

Issues for consultation

A consultation paper was released today to facilitate stakeholder comment on several matters, including the following key questions:

- is the standard of compliance with dispatch instructions under the current arrangements, taking into account the AER's approach to enforcing it, important for the efficient and safe operation of the NEM?

- what is the likely impact on the behaviour of market participants if the standard of compliance is a reasonable endeavours obligation to comply with dispatch instructions? and
- is AEMO's process for non-conformance with dispatch instructions appropriate as a mechanism to determine compliance with the NER?

Submissions

The consultation paper and Snowy Hydro's rule change request are available on the AEMC website. Stakeholders are invited to make written submissions in response to issues raised and the rule change request by **15 October 2015**.

For information contact:

AEMC Director, **Richard Khoe** (02) 8296 7859
AEMC Senior Adviser, **Andrew Pirie** (02) 8296 7867

Date: 17 September 2015

**Snowy Hydro's
proposed solution
would change the
standard for
compliance with
dispatch
instructions.**