



ACCC  
24 OCT 2000

**NATIONAL ELECTRICITY CODE  
ADMINISTRATOR LIMITED**  
ACN 073 942 775  
Level 5, 41 Currie Street  
Adelaide SA 5000  
Telephone (08) 8213 6322  
Facsimile (08) 8213 6300

20 October 2000

Mr P Bilyk  
A/g General Manager  
Regulatory Affairs - Electricity  
ACCC  
PO Box 1199  
DICKSON ACT 2602

FILE No:
DOC:

*Dear Paul,*

**NATIONAL ELECTRICITY CODE: QUEENSLAND DEROGATIONS**

I enclose, on behalf of the Queensland Government, draft amendments to chapter 9 of the Code to:

- ◆ extend the end dates of eight derogations from the date of the commissioning of QNI between New South Wales and Queensland to 31 December 2002; and
- ◆ make minor clarifications to definitions contained in the Queensland derogations.

I also enclose a copy of Minister McGrady's letter to me of 17 October.

The extension to the derogations is required to allow the earliest possible commissioning of QNI which will in turn assist Queensland to meet its increased energy demands over the forthcoming summer. The other participating jurisdictions have been consulted by Queensland about the proposed derogations.

I am sending a copy of this letter to Minister McGrady and to the designated Ministers of the other participating jurisdictions. I am also placing a copy of this letter and of the draft amendments to the Code on our website ([www.neca.com.au](http://www.neca.com.au)).

*Yours,*

*Stephen Kelly*

**Stephen Kelly  
Managing Director**



**The Hon. Tony McGrady MLA**  
Member for Mount Isa



**Queensland  
Government**

**Minister for Mines and Energy**

and

**Minister Assisting  
the Deputy Premier on**

**Regional Development**

**17 OCT 2000**

Mr Stephen Kelly  
Managing Director  
National Electricity Code Administrator  
Level 5, 41 Currie Street  
ADELAIDE SA 5000

Dear Mr Kelly

**National Electricity Code Derogations – Queensland/New South Wales Interconnector**

Queensland recommends that changes be made to a small number of Queensland derogations to the National Electricity Code that are affected by the commissioning of the Queensland/New South Wales interconnector (the interconnector). In particular, the changes:

- extend the end dates of eight derogations from the date of the commissioning of the interconnector to 31 December 2002, as an interim measure pending further applications in relation to these derogations; and
- make minor clarifications to definitions contained in Queensland's derogations.

Attachment A to this letter sets out information on the changes sought and the timing implications for Queensland.

I would like to emphasise that the request is aimed at seeking an extension of a relatively small number of derogations for the period to 31 December 2002. It does not seek to make these derogations permanent. A separate process, under Chapter 8 of the Code, is underway on the long-term future of these derogations.

As you are aware, clause 9.1.1 of the Code requires me to firstly consult with the corresponding Ministers of each other jurisdiction that participates in the National Electricity Market when seeking to amend a derogation in Chapter 9 of the Code, prior to submitting the amendments to the National Electricity Code Administrator for lodgement with the Australian Competition and Consumer Commission.

**Electorate Office**  
Mount Isa Office  
Telephone 07 4743 5149  
Facsimile 07 4743 3386  
Cloncurry Office  
Telephone 07 4742 2530  
Facsimile 07 4742 2524

**Head Office**  
17th floor, QMEC Building  
61 Mary Street Brisbane  
GPO Box 194 Brisbane  
Queensland 4001 Australia  
Telephone +61 7 3224 2170  
Facsimile +61 7 3229 9346

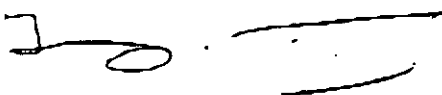
On 18 September I wrote to the corresponding Ministers in the other National Electricity Market jurisdictions in this regard. Pursuant to clause 9.1.1 of the Code a reasonable time to consider the proposed changes has now elapsed and accordingly, I request that you seek the Commission's approval of the changes set out in Attachment B to this letter.

As explained in Attachment A, Queensland will be looking to commission the interconnector as soon as possible to ensure it is available to assist in meeting the State's increased energy demands over the forthcoming summer. For this reason, we are seeking the Commission's earliest possible consideration of the request for changes to the Queensland derogations.

Mr Tim Peisker, of the Department of Mines and Energy, has consulted with Mr Paul Bilyk and Mr Gavin Fox of the Commission on this issue. Please notify the Commission that if its officers have any queries about this issue, they can contact Mr Dean Harvey of the Electricity Reform Unit on (07) 3239 0038.

Yours sincerely

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**TONY McGRADY**  
**Minister for Mines and Energy**  
**and Minister Assisting the Deputy Premier**  
**on Regional Development**

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## ATTACHMENT A

### Changes to the Queensland Derogations to the National Electricity Code

#### Background

Queensland has a number of derogations from the Code that are due to expire on the date the interconnector is commissioned.

Under the Code, the interconnector will be declared operational on the '*interconnection date*', this being the date at which an interconnection capable of continuously transferring at least 300MW is made between Queensland and New South Wales.

The commissioning of (and declaration of the interconnection date) was originally anticipated to occur around the end of 2001. However, the project has been advanced well ahead of the original timetable to ensure, in part, Queensland has adequate power supplies over the forthcoming 2000/2001 summer. While a specific commissioning date has yet to be set, it is envisaged this will be around the end of this year or in early January 2001.

Further, given the growth in Queensland demand that has occurred since the start of the National Electricity Market the early commissioning of this interconnector has now become essential to ensure that the Queensland 2000/2001 summer demand for electricity can be met and that supply to Queensland electricity consumers is not jeopardised over the summer period.

#### Proposed changes to the Queensland derogations

A substantial number of Queensland's jurisdictional derogations end on the interconnection date.

When the derogations were originally authorised by the Australian Competition and Consumer Commission, it was contemplated, both by Queensland and by the Australian Competition and Consumer Commission in its final determination, that continuation of a small number of these derogations (relating mainly to technical matters) might be required and that appropriate processes under Chapter 8 of the Code would be invoked if necessary to extend the life of these derogations.

An audit of the jurisdictional derogations that fall away on the interconnection date has been undertaken by the affected Code participants (primarily the Queensland network service providers) and has now been completed. It has been determined that:

- eight of the derogations (relating to technical matters) that are currently stated to cease on interconnection, may need to continue on an interim basis beyond the interconnection date to ensure that the relevant Code participants remain compliant with the Code, pending further applications under Chapter 8 regarding the extended application of these technical derogations; and
- three derogations require minor amendment in anticipation of the interconnector becoming operational, primarily in relation to definitions.

A summary of the relevant derogations, the proposed changes, and the affected Code participants, is set out in Attachment B.

#### **Basis for interim extension of the affected derogations that relate to technical matters**

The advancement of the interconnection date from the end of 2001 now makes it unlikely that the appropriate Code derogation processes, particularly those under Chapter 8, can be completed prior to interconnection. This is in spite of the completion of the audit of Queensland derogations to determine what changes to the relevant technical derogations under Chapter 8 should be sought to give them more permanency, in accordance with the original timetable.

If the technical derogations referred to above expire upon interconnection, there is a risk that the affected Code participants will be unable to comply with the relevant technical requirements of the Code.

Queensland is therefore seeking, as an interim measure, amendment under Chapter 9 of the Code of the affected derogations to extend their lifetime, as jurisdictional derogations, until no later than 31 December 2002.

If implemented, this measure:

- will ensure that affected Code participants will be able to continue the process for an application for derogations in relation to the relevant technical matters under Chapter 8 of the Code, without the risk of being in breach of existing Code provisions immediately following interconnection;
- is consistent with ensuring a smooth transition to a fully interconnected national market; and
- will avoid any delay in interconnection that may jeopardise the supply of electricity into Queensland during the 2000/2001 summer period.

The granting of an interim extension to the relevant derogations will in no way lessen the impetus for the affected Code participants to apply for those derogations to be given a less transitory status under Chapter 8 of the Code; a process which is already underway.

#### **Minor changes**

As part of the review of Queensland's derogations referred to above, three minor changes to Queensland's derogations have been identified. In essence, these changes:

- ensure that the definition of "isolation period" no longer applies beyond interconnection and that other relevant Code provisions apply in the event that the Queensland system becomes isolated;
- modify the definition of "transmission system" to ensure that the appropriate technical provisions of the Code apply to relevant assets of Powerlink Queensland;
- clarify the time from which any derogations expressed to cease upon interconnection actually end, to ensure a smooth transition to full interconnection; and



- slightly alter the requirements for stability.

#### **Impact of the changes on the national market following interconnection**

There is anticipated to be no adverse impact on the operation of the market associated with the proposed amendments.

The proposed extended lifetime of the relevant jurisdictional derogations that deal with technical matters simply aims to preserve the "status quo" whilst an application for derogations under Chapter 8 is undertaken by the affected Code participants. If an extended lifetime for these derogations is granted, this will not pose any risk to the security or stability of the interconnected system after interconnection.

**ATTACHMENT B**

No.	Code Clause	Derogation	Proposed Change	Affected Code Participants
<b>Chapter 9E derogations that require clarification or minor amendment</b>				
1.	9.32.2	References in derogations that cease on interconnection are variously described as ceasing "on and from", "at the beginning of" or "on" the interconnection date.	Insert the following wording into clause 9.32.2 for clarification: "To avoid doubt, any derogation expressed to cease "on and from", "at the beginning of" or "on" the interconnection date will cease, if the interconnection date is a date which is the start of a settlement week, the start of that day, or if the interconnection date is a date which is not the start of a settlement week, the start of the next settlement week which commences after the interconnection date.	Any Code Participants affected by the expiry of the derogations upon interconnection.
2.	9.32.1	Definition of "isolation period" - being the period prior to the interconnection date and any period after interconnection "when the Queensland system is not electrically interconnected to another part of the power system in a synchronous manner".	In definition of "isolation period" amend as follows: "1. The period prior to the interconnection date; and" 2. Any period on or after the interconnection date when the Queensland system is not electrically interconnected to another part of the power system in a synchronous manner."	None as after the interconnection date arrangements consistent with the rest of the NEM will replace the use of the isolation period.
<b>Chapter 9E technical derogations requiring interim extension.</b>				
1.	9.35.11	This derogation enables Queensland to use a "forward looking" methodology for determining intra-regional loss factors. It is currently expressed to cease on the earlier of interconnection or the end of 31 December 2002.	Amend clause 9.35.11(b) to read:  Clause 9.35.11 will cease to apply in respect of electricity transmitted after the earlier date of: <ul style="list-style-type: none"> <li>• the interconnection date; or</li> <li>• the end of 31 December 2002.</li> </ul>	All Code Participants operating in Queensland.

No.	Code Clause	Derogation	Proposed Change	Affected Code Participants
2.	9.37.13	Harmonic voltage distortion limits - expressed to cease on earlier of interconnection date or the end of 31 December 2002.	<p>Amend clause 9.37.13 (b) as follows:</p> <p>"This clause 9.37.13 will cease to have effect at the <u>earlier</u> <u>later</u> of:</p> <p>(1) the beginning of the interconnection date; or</p> <p>(2) the end of 31 December 2002;"</p> <p>to effect a transitional extension of the derogation beyond interconnection.</p>	Queensland Network Service Providers.
3.	9.37.14	Voltage balance limits - expressed to cease on earlier of interconnection date or the end of 31 December 2002.	<p>Amend clause 9.37.14 (c) as follows:</p> <p>"This clause 9.37.14 will cease to have effect at the <u>earlier</u> <u>later</u> of:</p> <p>(1) the beginning of the interconnection date; or</p> <p>(2) the end of 31 December 2002;"</p> <p>to effect a transitional extension of the derogation beyond interconnection.</p>	Queensland Network Service Providers.



Nb.	Code Clause	Derogation	Proposed Change	Affected Code Participants
4.	9.37.15	Different stability requirements from those in schedule S5.1.8 are imposed on network service providers until the interconnection date.	<p>Amend clause 9.37.15(a) and (b) as follows:</p> <p>(a) The requirements for stability as defined in paragraph S5.1.8 of schedule 5.1 of the Code are modified, for both NEMMCO and the relevant Network Service Provider, by the requirement that, until the <u>interconnection date</u> the end of 31 December 2002 and to the extent that they apply to localised supply arrangements in the Queensland region, a Network Service Provider whose network is a Queensland transmission network or a Queensland distribution network must use reasonable endeavours to ensure that stability criteria are met except for events that the Network Service Provider reasonably believes to be low probability events or where it may be uneconomic to augment the transmission network to an extent that satisfies the above stability requirements. <u>The modification does not apply where there is a material risk of cascading network security issues or a material impact on the power system outside the Queensland region.</u></p> <p>(a1) A Network Service Provider wishing to apply Clause 9.37.15(a) will <u>liaise with NEMMCO to establish conditions for the application of Clause 9.37.15(a) and shall use reasonable endeavours to agree at least three working days in advance on power system operating procedures to be used for each application of the derogation described in 9.37.15(a).</u></p> <p>(b) <u>Until the interconnection date, the criteria used in Queensland to assess damping performance is to be based on a damping ratio for electromechanical modes of 0.05 instead of any reference to halving times.</u></p>	Queensland Network Service Providers.
5.	9.37.16	Fault clearance times specified for Queensland - expressed to cease on earlier of interconnection date or the end of 31 December 2002.	<p>Amend clause 9.37.16(c) as follows:</p> <p>"This clause 9.37.16 will cease to have effect at the earlier <u>later</u> of:</p> <p>(1) the beginning of the interconnection date; or</p> <p>(2) the end of 31 December 2002;"</p> <p>to effect a transitional extension of the derogation beyond interconnection.</p>	Queensland Network Service Providers.

No.	Code Clause	Derogation	Proposed Change	Affected Code Participants
6.	9.37.17	Automatic reclosure of overhead transmission lines - in Queensland, transmission lines installed as at market start are deemed to comply with schedule SS.1.11 of the Code. The derogation is expressed to cease on earlier of interconnection date or the end of 31 December 2002.	Amend clause 9.37.17(b) as follows: "This clause 9.37.17 will cease to have effect at the earlier <u>later</u> of: (1) the beginning of the interconnection date; or (2) the end of 31 December 2002;" to effect a transitional extension of the derogation beyond interconnection.	Queensland Network Service Providers.
7.	9.37.18	Quality of electricity generated is specified for Queensland generating units and market network service providers - expressed to cease on earlier of interconnection date or the end of 31 December 2002.	Amend clause 9.37.18(b) as follows: "This clause 9.37.18 will cease to have effect at the earlier <u>later</u> of: (1) the beginning of the interconnection date; or (2) the end of 31 December 2002;" to effect a transitional extension of the derogation beyond interconnection.	Queensland Network Service Providers, Generating units and market network service providers located in Queensland.
8.	9.37.22	Harmonics and voltage notching - specific requirements for Distribution Network Service Providers or customers connecting to a Queensland transmission network - expressed to cease on earlier of interconnection date or the end of 31 December 2002.	Amend clause 9.37.22(d) as follows: "This clause 9.37.22 will cease to have effect at the earlier <u>later</u> of: (1) the beginning of the interconnection date; or (2) the end of 31 December 2002."	Queensland Network Service Providers and customers connected to a Queensland transmission network.