

15 April, 2002

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Mr Michael Rawstron  
General Manager  
Regulatory Affairs – Electricity  
Australian Competition and Consumer Commission  
PO Box 1199  
DICKSON ACT 2602

Dear Michael

**REVIEW OF DIRECTIONS IN THE NATIONAL ELECTRICITY MARKET**

This letter contains NEMMCO's submission on the proposed National Electricity Code changes resulting from the review of directions in the National Electricity Market (authorisation numbers A90818, A90819 and A90820). NEMMCO was heavily involved, in conjunction with NECA, in the development of these Code changes. Accordingly, our submission focuses on the implementation timing issues rather than the content of the proposed changes. However, NEMMCO believes there are some material drafting issues that could be interpretive and alter the intent of these Code changes. For that reason, these issues are also addressed in this submission.

Under various clauses of the proposed Code changes, NEMMCO must develop in accordance with the procedures for Code consultation, the following:

- Clause 3.9.3(b) – Intervention Pricing Methodology
- Clause 3.15.8(b2) – Procedures for the Determination of Regional Benefits
- Clause 4.8.6(c) – Procedures for the Dispatch of Reserves
- Clause 4.8.9(b) – Procedures for the Issuance of Directions

With the possible exception of the third consultation above, NEMMCO will require a reasonable indication of the outcomes of these consultations before the development of market systems can commence. These consultations are likely to be complex and, hence, will probably take up the full five-month period set aside for Code consultations.

Bearing these points in mind, NEMMCO is currently developing the corresponding consultation documentation and will attempt to publish these later this month. In accordance with our normal implementation procedures, NEMMCO will commence the development of the functional description for the system changes required when the draft determination of these consultations is published. Therefore, an approximate implementation schedule can be forecast as follows:

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April 2002	Publish consultation documentation
May 2002	Accept submissions
July 2002	Publish draft determination
September 2002	Functional description complete
December 2002	Development complete
January 2003	Dispatch engine accreditation complete
February 2003	System testing complete
March 2003	Production implementation

Therefore, NEMMCO stresses that the earliest time that the systems required under the proposed Code changes could be implemented is March 2003. This implementation date could be further delayed by the following:

- Changes to the proposed Code changes resulting from the ACCC consultation; or
- Changes to the NEMMCO consultation determinations arising after the draft determinations have been published.

NEMMCO requests that the ACCC consider these implementation limitations in the final determination and timing of Code gazettal.

#### **Compensation Inconsistency**

Under the proposed directions review Code changes, clause 4.8.9 provides NEMMCO with the power to issue directions for the following reasons:

*4.8.9(a)(1): NEMMCO may authorise a Code participant to do any act or thing if NEMMCO is satisfied that it is necessary to do so to maintain or re-establish the power system to a secure operating state, a satisfactory operating state or a reliable operating state;*

Clause 4.8.9A then goes on to provide NEMMCO with the power to issue a direction for the provision of ancillary services.

Insofar as the determination of compensation for directed parties is concerned Clause 3.15.7 outlines the methodology for all directions. However, Clause 4.8.9A sub-clause (d) goes on to prescribe directed party compensation for ancillary service directions in line with the current methodology. As such, these two clauses (3.15.7 and 4.8.9A) conflict each other. NEMMCO propose that clause 4.8.9A has been overlooked and should be removed from the Code.

### Scheduled Plant Definition

Clause 4.8.9(a1) places limitations on parties that can be directed as follows:

*If NEMMCO, or a person authorised by NEMMCO, requires a Code Participant to:*  
(1) *take action as contemplated by clause 4.8.9(a) or Section 76 of the National Electricity Law in relation to scheduled plant, NEMMCO is taken to have issued a direction; or ....*

The glossary in the proposed Code changes defines "scheduled plant" as "*market generating units, scheduled network services and scheduled loads*". In its current wording, scheduled plant would not include scheduled non-market generators. NEMMCO proposes that this is not the intention and that the Code changes should be altered so that "*scheduled plant*" includes both market and scheduled generators.

NEMMCO have discussed the above Code inconsistencies with NECA and have received agreement with the intent of the proposed changes as put forward in this letter.

Should you have any queries regarding the above please contact Bill Truscott on (07) 3347 3022.

Yours sincerely

*Brian Spalding,*  
**Brian Spalding**  
**General Manager Power Exchange**

cc. Bill Truscott  
Mark Miller