



FILE No:
DOC:
MARS/PRISM:

6 September, 2002

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

Dear Michael

NEMMCO'S COMMENTS ON THE REBIDDING DRAFT DETERMINATION

The following letter contains NEMMCO's comments on the proposed Rebidding Code changes in response to the ACCC draft determination and pre-determination conference in relation to this matter.

NEMMCO's only concern with this proposal is in relation to the requirement for NEMMCO to use non-market ancillary services to enhance spot market trading. The original Code Change Panel report submitted to the ACCC included changes to clause 3.11.3(b) such that:

"NEMMCO must develop and publish a procedure for determining the quantity of each kind of non-market ancillary service required for NEMMCO to achieve the power system security and reliability standards and to enhance the value of spot market trading."

In your draft determination regarding this proposal the ACCC have placed a condition of authorisation that:

"The wording of clause 3.11.3(b) be altered to include clarification that NEMMCO should only attempt to enhance the value of spot market trading when it can be done so without prejudicing system security and when it is cost effective to do so."

The purpose of this letter is to propose new wording for this clause that, not only address this condition of authorisation, but also address some concerns that NEMMCO has regarding the wording of this clause.

Firstly, NEMMCO has concerns with the vague nature of the statement "enhance the value of spot market trading". The intention of this clause is to allow NEMMCO to increase network transfer capabilities by enabling non-market ancillary services where this increased transfer lowers the objective function of dispatch to a greater degree than the cost of the enablement of the ancillary service. Therefore, NEMMCO believes that it is appropriate for the clause to state this in a more specific manner. This will also address the condition of authorisation.

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Secondly, NEMMCO has concerns regarding the first part of the clause in which "NEMMCO must develop and publish a procedure for **determining the quantity** of each kind of non-market ancillary service required ..." (emphasis added). NEMMCO believes that the intention is for these procedures to cover the dispatch of non-market ancillary services to meet these new requirements. This dispatch of ancillary services would be chosen from the services that we have available from the ancillary service tendering process. However, as the clause is currently worded, it could be interpreted that we would need to source non-market ancillary services, during the ancillary service tender process, in order to enhance the value of spot market trading. NEMMCO would see this as being outside of the proposed intention of this clause and, if not amended, could be seen as a requirement for NEMMCO to enter into contracts for the purpose of augmenting the transmission system.

With these two concerns in mind, NEMMCO propose the following wording for clause 3.11.3(b):

"NEMMCO must develop and publish a procedure for the dispatch of each kind of non-market ancillary service required for NEMMCO to achieve the power system security and reliability standards and, where available, to maximise network transfer capability whilst still maintaining a secure operating state when, in NEMMCO's reasonable opinion, the expected resulting increase in non-market ancillary service costs will not exceed the expected increase in the value of spot market trading."

Should you have any queries regarding this submission please do not hesitate to contact Bill Truscott on (07) 3347 3022.

Yours Sincerely


Brian Spalding
General Manager Power Exchange

cc. Mark Miller