



15 December 2004

Mr S Roberts  
ACCC  
Level 35, The Tower  
360 Elizabeth Street  
MELBOURNE VIC 3000

FILE No:
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Dear Mr Roberts,

### **PUBLICATION DATE OF THE STATEMENT OF OPPORTUNITIES**

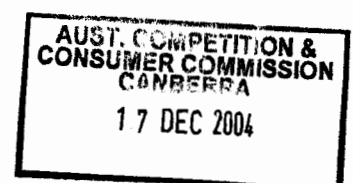
I enclose a report recommending a change to the National Electricity Code to provide for a delay in the publication by NEMMCO of the Statement of Opportunities (SOO) from 31 July to 31 October, and to remove the obligation for NEMMCO to prepare an update of the SOO by 31 January. That proposal, which would take the form of Chapter 8 derogation, would apply until 31 December 2005.

Currently clause 3.13.3(o) and (o1) of the National Electricity Code requires NEMMCO to publish the SOO by 31 July each year and to publish an update by 31 January. This arrangement came into force in 2002 when the SOO was extended to include an Annual Interconnector Review as part of the Network and Distributed Resources Code change package.

The Ministerial Council on Energy (MCE) extended the transmission planning aspect of the SOO in December 2003, requiring NEMMCO to publish an Annual National Transmission Statement (ANTS) as part of the SOO. The Annual Planning Reviews (APRs) prepared by each of the jurisdictional planning bodies are a critical input to the ANTS.

NEMMCO has highlighted the difficulty it had in preparing the ANTS in 2004 due to the tight timeframe. The current timeframe did not allow NEMMCO to fully consult on the content of the ANTS due to the short time period between the publication of each jurisdictions' APR on 30 June and the 31 July deadline. It is acknowledged that the deadline of 30 June for the jurisdictional planning bodies reflects the need to incorporate the outcomes of the summer into forecasting models.

As the SOO provides information about the adequacy of electricity supplies in the National Electricity Market over the next ten years, it is not seen by NEMMCO to be a critical document for the immediate summer. Concerns about the planning of the immediate summer are addressed by other NEMMCO publications including the Medium Term PASA which is updated weekly. Likewise, there appears to be only limited benefit in providing a half year update of what is essentially a long term planning document. NEMMCO seek the removal of the January update on this basis.





**NECA**

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NECA sought comments on the proposed derogation in November. A response from Hydro Tasmania was received and is attached. Hydro Tasmania has no concerns with the proposed changes. As we did in relation to the changes on site-specific loss factors for smaller generators recently, and as I understand it, with your prior agreement, we are applying for this change to be considered as a minor variation to the Code.

Yours faithfully

A handwritten signature in black ink, appearing to read "John Eastham", written in a cursive style.

**John Eastham**  
**Director**



### **Publication date of the Statement of Opportunities**

NEMMCO has written to NECA seeking a derogation from the Code that provides for a delay of the publication date of the Statement of Opportunities (SOO) from 31 July to 31 October, and remove the obligation for NEMMCO to prepare an update of the SOO by 31 January. A copy of the NEMMCO letter is attached. The derogation is to apply until 31 December 2005.

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NEMMCO has sought to derogate from the Code for 2005 only, as it understands that a permanent publication deadline for the SOO of 31 October will be included in the new Market Rules under the Australian Energy Market Commission.

NECA sought comments on the proposed derogation in November. A response from Hydro Tasmania was received and is attached. Hydro Tasmania has no concerns with the proposed changes.

We conclude that NEMMCO's request for the derogation is appropriate in its current form. The request to derogate from the Code is therefore recommended.

## Derogations (Chapter 8)

Granted by NECA under the provisions of Chapter 8 of the National Electricity Code

### Part 10 – NEMMCO Derogation - Statement of Opportunities

- (a) Despite any provision of the Code to the contrary, including without limitation clauses 3.13.3(o) and 3.13.3(o1) NEMMCO must prepare and publish a *statement of opportunities* by 31 October in each year and NEMMCO is not required to publish an update of the *statement of opportunities*.
- (b) This derogation will cease to apply on 31 December 2005.

8 October 2004

VIA EMAIL: [skelly@neca.com.au](mailto:skelly@neca.com.au)

Mr Stephen Kelly  
Managing Director  
National Electricity Code Administrator  
PO Box 2575  
ADELAIDE SA 5000

Dear Mr Kelly

**PROPOSED DEROGATION FROM THE NATIONAL ELECTRICITY CODE:  
Publication Date of the Statement of Opportunities**

As you would be aware, the Annual National Transmission Statement (ANTS) is an initiative of the Ministerial Council of Energy (MCE). In response to a request by the MCE, NEMMCO prepared an initial ANTS as part of the 2004 Statement of Opportunities (SOO) which was released on 31 July 2004.

As was foreshadowed in the 2004 SOO/ANTS, future ANTS documents will be a significant enlargement of the Annual Interconnector Review (AIR) conducted by the Inter-regional Planning Committee (IRPC). To achieve this it will be necessary to move the publication date of the SOO from 31 July to 31 October each year in order to complete the preparation and incorporate the latest load forecasts.

Accordingly, a derogation is sought to defer the publication of the SOO and the ANTS to the end of October each year, and as a consequence also to remove the obligation to prepare an update to the SOO published on 31 January of each year. This note explains the background and rationale behind NEMMCO's proposal, and outlines the level of consultation conducted to date by NEMMCO in preparing the ANTS.

**Background**

At market commencement, the SOO publication date was the end of March of each year. In 2002, the National Electricity Code was amended to require NEMMCO and the IRPC to undertake the AIR and to defer publication of the SOO to 31 July of each year.

In December 2003, the MCE determined that NEMMCO would undertake a national transmission review that would be published as the Annual National Transmission Statement as part of the SOO. The purpose of the ANTS is to provide an integrated overview of the current state and potential future developments of major national transmission flow paths. In doing so, the ANTS is intended to synthesise and build on existing network planning information from existing sources to produce a single national transmission statement.

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Tel: (02) 9239 9199  
Fax: (02) 9233 1965

## **Rationale**

In 2004, the ANTS incorporated the AIR and included discussion of NEMMCO's proposals for future ANTS. In particular, the ANTS is proposed to include:

- a network model of the NEM's major national transmission flow paths instead of the existing interconnectors;
- an enlarged set of market simulations covering a range of generation expansion scenarios;
- a revised set of indicators of the need to augment a flow path;
- a significant coordination effort with the Jurisdictional Planning Bodies to identify flow path augmentation options.

For a number of reasons, the full scope of the proposed ANTS work cannot be completed in under the current timeframe. Some of these reasons came from the compressed timeframe for the 2004 ANTS, and would not be expected to impose restrictions in the future. However, a number of issues arise because of the proximity of the SOO's publication date of the end of July to the APRs publication date of the end of June. These issues are discussed below.

### ***Use of most recent information***

Information published in the ANTS is based on a series of indicators that summarise the results of market simulation studies. This is similar to, but more extensive than, the studies used for the ANTS. In both the AIR and the 2004 ANTS, the market simulations need to commence several months in advance of publication. As a result, the 2004 ANTS and the AIR used the previous year's demand forecasts. In contrast, the SOO is able to use the same demand forecasts published in the APRs.

In addition, the SOO is able to make use of the latest information on committed network augmentation provided in the APRs.

Deferral of the ANTS (and with it, the SOO) will allow both the SOO and the ANTS to make use of a consistent set of demand forecasts and committed network augmentations.

### ***Coordination with JPBs***

The ANTS is proposed to better facilitate coordination of network planning in the NEM by following a logical progression of information flows:

- the market simulations will provide a series of indicators that provide projections of the need to augment major national transmission flow paths;
- the APRs will provide information on augmentation needed to ensure reliability of supply to demand centres within each existing jurisdiction;
- NEMMCO and the JPBs will develop options to "bridge the gap" between the needs identified by the ANTS indicators and already existing plans to augment the networks within each jurisdiction.

Deferral of the ANTS to 4 months of publication of the APRs will mean this coordination step will rely on more complete and current information.

## ***JPB resources***

The ANTS will require a significant co-operative effort by NEMMCO and the JPBs. The JPB resources required to undertake this are the same resources needed by the JPBs to complete their own APRs.

Deferral of the ANTS will allow the JPBs to adequately resource the development of augmentation options in co-operation with NEMMCO.

## ***SOO update***

NEMMCO is also seeking a derogation to remove NEMMCO's obligation to publish an update to the SOO. This is because the SOO update:

- consumes a disproportionate amount of resources (of both NEMMCO and market participants) to, in effect, confirm that there have been no significant changes to the generation information since the publication of the SOO;
- the update has only reported short and medium-term changes which are already presented in the PASA;
- a January publication date is too close to the proposed October publication of the SOO, and deferring the SOO update would interfere with data collection for the ANTS.

## ***NEMMCO consultations***

NEMMCO would envisage consultation with interested parties in the NEM would be at the same level as is required for the AIR. In 2004, this was not possible due to the timeframe required by the MCE. Nonetheless, NEMMCO has undertaken preliminary consultation with industry and the NEM jurisdictions to develop the scope and contents of the ANTS. NEMMCO has consulted the following parties in developing the 2004 ANTS:

- the IRPC (which developed an initial scope and contents, and set of major national transmission flow paths);
- the JPBs;
- an industry working group comprising representatives of end-use customers, retailers, generators and the JPBs; and
- the Standing Committee of Officials (SCO), representing the MCE.

In these discussions, NEMMCO suggested a Code framework that:

- replaced the AIR provisions with new ANTS provisions;
- removed the obligation to prepare an update to the SOO, currently published on 31 January of each year;
- made NEMMCO responsible for an annual national transmission review, with the assistance of and cooperation with the IRPC, which would be published as the ANTS and incorporated into the SOO;



# NEMMCO

- set down the conduct of the review and information requirements for the ANTS; and
- deferred publication of the SOO.

In the interim, it is understood that the new National Electricity Rules will be amended to allow NEMMCO to prepare the ANTS, which will incorporate the IRPC's current obligations to undertake the AIR.

NEMMCO has received broad support for deferral of the SOO and ANTS and on the basis of this support, NEMMCO is seeking this derogation.

## Issues with deferral of the SOO

NEMMCO is proposing to continue publishing the SOO and ANTS as a single document. This is to be consistent with the MCE's original request and avoids potential confusion in the market coming from the publication of two significant planning documents in the second half of each year. This also simplifies NEMMCO's internal processes for preparing, reviewing and producing the two statements.

However, some issues may be raised in submissions that may need to be considered by NECA. These could include:

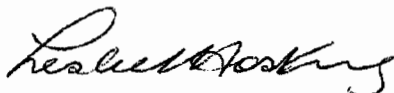
- publication of the SOO at the end of October is too late to be of use for the next summer. Although this is true, NEMMCO believes the SOO is more aimed at investment in the NEM and that the market would be better informed of shorter-term issues through the ST and MT PASA;
- there will be a lengthy delay between publication of the APR forecasts and publication of NEMMCO's forecasts (which are based on the APR forecasts) in the SOO and MT PASA. NEMMCO would propose to publish a report on the demand forecasts that would allow the MT PASA forecasts to be updated in the same timeframe as they are now;
- deferral of the SOO may create a "void" of information relating to the supply-demand balance that might be filled with by other (possibly less informed or independent) information providers. NEMMCO believes this would be more aimed at the shorter time frames and is best addressed through the MT PASA process.

## Proposed derogation

Drafting of the proposed derogation is attached to this note for your consideration.

If you have any queries regarding the above please do not hesitate to contact Dr Charlie Macaulay on 03 9648 8709.

Yours sincerely



**Leslie V Hosking**  
Managing Director and Chief Executive Officer

Att:

# NEMMCO

## Part 9 Statement of Opportunities

- (a) Despite any provision of the Code to the contrary, including without limitation clauses 3.13.3(o) and 3.13.3(o1) NEMMCO must prepare and publish a *statement of opportunities* by 31 October in each year and NEMMCO is not required to publish an update of the *statement of opportunities*.
- (b) This derogation will cease to apply on 31 December 2005.



**Hydro Tasmania**  
*the renewable energy business*

22 November 2004

Peter Adams  
NECA  
Level 5, 41 Currie Street  
ADELAIDE SA 5000

By email: [padams@neca.com.au](mailto:padams@neca.com.au)

Dear Peter

### **Code Change Panel: proposed amendments to the Code**

NECA has invited comments on three Code change proposals before the Code Change Panel.

Hydro Tasmania is currently in the process of registering as a market participant in preparation for the entry of Tasmania into the National Electricity Market.

In relation to the "**B2B Governance**" proposal, we note that this is specifically limited to certain classes of market participants, not including Hydro Tasmania's future role as a *market generator*. We will therefore not comment on the detail of the proposal.

However we do propose greater clarity and certainty in relation to the cost of the proposed arrangements. Under the proposed Clause 7.2A.6(a) it is specified that the costs are to be recouped as participant fees. We would hope that, under Code rules for the determination of participant fees, this cost would be allocated only to the relevant classes of participant.

However, in the interest of greater clarity and certainty we suggest that this be made explicit in the proposed new clause. This could be done by the addition of the words "*levied on Local Retailers, Market Customers and Distribution Network Service Providers*".

In relation to the "**Publication Date of the Statement of Opportunities**", we have no concerns with the proposed changes. There appears to be continuing trend in electricity demand toward summer peak loads. Given this pattern, the logical time to re-forecast load is following completion of the summer peak

season. We can appreciate that the workload to complete both the SOO and the ANTS, following input from the TNSPs will lead to publication late in the calendar year. With this timing, and the overlap of information between the SOO and the MTPASA, we have no concerns regarding the proposed elimination of the January update of the SOO.

In relation to the **"Proposed Derogation re recovery of Costs of Regulation Market Ancillary Services"**, we appreciate the desire for this interim measure, and have no issues with the proposal. We note one issue in relation to the timing of the derogation. The derogation proposal allows NEMMCO to collect data in Tasmania to calculate factors used for ancillary service settlement prior to Tasmanian entry into the NEM, and this is clearly desirable. However, this power is not available to NEMMCO until the derogation is in place. Therefore, it is desirable that the derogation be in place for at least 4 weeks prior to Tasmanian entry into the NEM.

If you have any questions, please contact the undersigned on 03-62305775.

Yours sincerely,

A handwritten signature in black ink that reads "D. Bowker". The signature is written in a cursive style and is underlined.

David Bowker  
Manager Regulatory Affairs