

**NATIONAL ELECTRICITY LAW**

**SECTION 74**

**INFRINGEMENT NOTICE**

**TO:** AGL Hydro Partnership (ABN 86 076 691 481) ("AGL Hydro")  
Level 2, 333 Collins Street  
MELBOURNE VIC 3000

1. The AER has reason to believe that AGL Hydro, a relevant participant within the meaning of the *National Electricity Law*, has breached clause 3.8.22(c)(2)(i) of the *National Electricity Rules* ("the **Rules**") for the reasons set out in Schedule 1 to this notice ("the **alleged breach**").
2. The alleged breach is a breach of a relevant civil penalty provision within the meaning of the *National Electricity Law*.
3. The infringement penalty for the alleged breach is \$20,000.
4. Pursuant to section 74 of the *National Electricity Law*, the AER has resolved to serve this infringement notice on AGL Hydro.

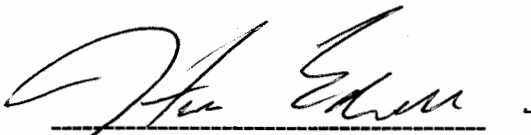
**PAYMENT OF THE INFRINGEMENT PENALTY**

5. AGL Hydro may pay the infringement penalty under this notice by cheque or electronic funds transfer in accordance with the details set out in the invoice annexed to this notice.
6. Notwithstanding anything set out in the invoice annexed to this notice, the infringement penalty must be paid by AGL Hydro within 28 days of the date this notice is served on AGL Hydro ("the **payment period**").

**OTHER MATERS**

7. If the infringement penalty is paid before the end of the payment period, proceedings will not be issued by the AER in respect of the alleged breach unless this notice is withdrawn before the end of the payment period in accordance with section 79 of the *National Electricity Law*.
8. AGL Hydro is entitled to disregard this notice and defend any proceedings in respect of the alleged breach.

**DATE OF NOTICE:** 28<sup>th</sup> July 2006



Steve Edwell  
Chairman

**INFRINGEMENT NOTICE - AGL HYDRO PARTNERSHIP****SCHEDULE 1 – MATTERS CONSTITUTING A BREACH OF A RELEVANT CIVIL PENALTY PROVISION**

1. On 22 March 2006, the dispatch price in Victoria and South Australia for the dispatch interval ending at 3.35pm increased to \$1392.23/MWh and \$9631.82/MWh respectively. As a result of this increase in the dispatch price, MCKAY1, an aggregated generating unit operated by AGL Hydro in Victoria, was targeted for dispatch to around 100MW for the dispatch interval ending at 3.35pm. As a result of a subsequent reduction in the dispatch price which took effect from the dispatch interval ending at 3.40pm, MCKAY1 was targeted for dispatch back to zero for the three dispatch intervals ending at 3.40pm, 3.45pm and 3.50pm.
2. At or about 3.47pm on 22 March 2006, AGL Hydro made a rebid, effective for the two dispatch intervals ending at 3.55pm and 4.00pm, which made MCKAY1 inflexible at a loading level of 100 MW. The reason given for these rebids was "1540F OPTIMISE AS AND ENERGY::DECREASE ENERGY BAND". The unit's metered output was reported at 102MW and 101MW for these two dispatch intervals.
3. Clause 3.8.19(a) of the Rules provides for a scheduled generating unit to be declared inflexible where a Scheduled Generator or Market Participant reasonably expects the unit to be unable to operate in accordance with dispatch instructions in any trading interval due to abnormal plant conditions or other abnormal operating requirements in respect of that unit.
4. Clause 3.8.22(b) permits a Scheduled Generator or Market Participant to make a rebid with respect to a dispatch inflexibility. In respect of a scheduled generating unit, the Rules define "inflexibility" to mean that the unit is only able to be dispatched in the trading interval at a fixed loading level specified in accordance with clause 3.8.19(a).
5. Clause 3.8.22(c)(2)(i) provides that, when a Scheduled Generator or Market Participant makes a rebid, it must, at the same time, provide NEMMCO with a brief, verifiable and specific reason for the rebid.
6. The reason provided for rebidding a scheduled generating unit as inflexible must be verifiable and specific in the context of clause 3.8.19(a). This means it must be possible to verify that the reason given discloses the existence of abnormal plant conditions or other abnormal operating requirements that would enable the scheduled generating unit to be declared inflexible in accordance with clause 3.8.19(a).
7. The reason given by AGL Hydro for the rebids described in paragraph 2 above related to optimising ancillary services and energy dispatch. This reason is not verifiable and specific in the context of clause 3.8.19(a), as it is not possible to verify that this reason discloses the existence of abnormal plant conditions or other abnormal operating requirements that would enable the unit to be declared inflexible under clause 3.8.19(a).
8. Accordingly, at or about 3:47pm on 22 March 2006, AGL Hydro contravened clause 3.8.22(c)(2)(i) of the Rules in Victoria by failing to provide a brief, verifiable and specific reason for the rebid made in relation to MCKAY1 for the dispatch intervals ending at 3.55pm and 4:00pm on that day.