



## Service standards

### Public forum - minutes

15 July Canberra

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*Attachment 1 includes a list of participants who were present at the public forum.*

## **John Martin**

- Introduction and welcome

### **Presentation 1: Alex Cruickshank (ERAA & NGF)**

- ERAA and NGF represents about 30 parties with an agreed position on the Commission's service standards guidelines.
- Supportive of the Commission's first step, however some improvements are needed.
- Service levels are part of the revenue cap 'deal'. Transmission network service providers (TNSPs) receive revenue in return for a certain service (level).
- TNSP performance in providing this service can impact the market and this impact should be reflected in the performance measures chosen. That is what is important to the market must be measured.
- Propose some improvements and a start to the development of market impact measures.
- The market impact measure should reflect the operation and management of the TNSP
- Example, we believe the operation of the Snowy transmission assets changed when handed over to TransGrid – there was an impact on the market.
- Concerned that the proposed availability measures could provide some perverse incentives:
  - Peak and off peak lines should have different incentives
  - Critical and non-critical lines should have different incentives
  - A measure is needed to push towards these outcome
- Immediate recommendation:
  - Apply all the same performance measures to all TNSPs
  - Ramp targets to the best performance levels
  - Availability weighted to high demand times
  - Commercial force majeure provisions
- Performance standards should be focussed on user outcomes/value
  - Peak weighting

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- Need to work with the market
- Perhaps, a working group for further development

## **Comments on presentation 1**

### **Terry Fagan**

- There are differences between TNSPs that need to be accounted for.
- Example, EnergyAustralia :
  - has no constraints that affect customers
  - has 50% of its transmission underground, repairs could take weeks to months
- The draft decision recognised these differences and it is important to do so.

### **Alex Cruickshank**

- By focussing on the impact on the users and try to reduce (increase) these negative (positive) impacts, the differences between TNSPs will come out in the wash.

### **Roger Oakley**

- In considering the differences we could look at:
  - Service provided to customers
  - Service provided to generators

### **Frank Montiel**

- I strongly disagree with a ‘one size fits all’ approach.
- Differences, such as stringy vs compact networks, must be accounted for.
- The need for investment will be different in Powerlink and SPI PowerNet

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### **Alex Cruickshank**

- This does not mean that the same benchmark performance targets should be used, rather the same approach to measuring performance. Differences between TNSPs would be accounted for by variations.

### **Mal Park**

- The ratings of the Snowy Assets have not changed, they are still the same as what they were rated at 30 years ago. TransGrid is insisting that these assets be operated to within their assigned ratings.

### **Presentation 2: Ben Skinner (ERAA & NGF)**

- At this stage the performance-incentive scheme is imperfect. Hopefully there will be some constructive suggestions today.
- Peak day weightings would suit users (ERAA & NGF).
- Also publishing performance would help the transparency of the process.
- The current scheme will give the TNSP the incentive to reduce outage times, however TNSPs are designed to meet peak load conditions, hence I can not see why lines need to be restored during low load conditions – if they are not required.
- There is a need to focus on the times that matter, i.e. peak times/system stress.
- The Commission's performance measures and targets could be applied only on the 20 days per year when the system is under the most stress determined by maximum system demand ex-post.
- There is need to understand the TNSPs line rating philosophies.
- There is no set transparent process to set line ratings and the outcomes of this process can affect the market.
- There may be differences between TNSPs but is it possible to find a common philosophy?
- Education and information could be provided by TNSPs on the process used to set ratings. TNSPs could produce a document to show how they treat wind, temperature, and other factors in setting limit equations?
- How can the market benefits be focussed on?
- Transmission elements have a nominal capacity, which is represented in the constraint equations.

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- NEMMCO produces a shadow price (the difference in price caused by out-of-merit order dispatch), which could be used to indicate the market impact of the constraint?
- Caveat who is responsible for the constraint?
- At this stage theoretical examples could be used to examine the information available rather than impose the responsibility immediately on TNSPs.
- For our education, TNSPs could produce a periodic (perhaps quarterly) report on outage and constraint events, with each TNSP reporting their understanding of what caused each event.
- Agree that there are complexities and difficulties in regulation of market drivers.
- Please consider our suggestion.

## **Comments on presentation 2**

### **Rainer Korte**

- ElectraNet understands the need to minimise the market impact of its transmission operations and aims to schedule network outages to achieve this objective.
- Encouraged by the recognition of the complexities and difficulties in developing appropriate market impact measures
- Heywood interconnector constraints are not necessarily correlated to peak demand. Generation reserve is another important factor.
- ElectraNet publishes a description of the factors impacting on transmission network ratings in its Annual Planning Review. ElectraNet also has a licence requirement to provide ESCOSA with its ratings methodology.
- Constraint (or limit) equations are complex in nature and include many factors that are unrelated to TNSP behaviour (for example system load, generation dispatch, weather related factors, NEMMCO system security decisions etc.).
- Market participants may have unrealistic expectations about the potential for improvement through placing stronger incentives on TNSPs.

### **Ben Skinner**

- Not privy to the analysis. However, I find the idea that system stress is more related to generation patterns rather than peak demand counter intuitive. That is demand can vary by 1500MW whereas generation varies by about 300MW? The value of power flows is our focus and that peaks with demand.

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- Pleased by the licence requirement.
- Our aim by the publication is to give you a chance to educate us as to what are the genuine causes of constraint. Could help your defence against unfair criticism.

### **Rainer Korte**

- I could provide examples

### **Andrew Jones**

- Interconnector flows are driven by a region supplying a neighbouring (higher priced and maybe high demand) region.
- As such, in the case of interconnectors, requirements for elements in a region experiencing low demand may be driven by a neighbouring region experiencing high demand.

### **Ben Skinner**

- The interconnector is a small element of what we are proposing. At the very high peak times the interconnector is more likely to be important. There are always going to be exceptions-but in general peak system demand seems to be the simplest, and have a very strong correlation, to the value of transmission.

### **Ankur Maheshwari**

- Not agree with the 95% redundancy assumption – you must look at the network configuration. Therefore you can state that a short recovery has no benefit.

### **Ben Skinner**

- In Tasmania there might be less than 95% redundancy, the 20 days is just an arbitrary number, but we felt it was about right for the flatter load profiles of Tasmania, Qld & NSW, whilst you could use an even smaller number for Vic & SA however we prefer national consistency where possible.
- The point is that that flat availability incentives could penalise good preventative maintenance.

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**Ankur Maheshwari**

- Not believe this could be universally applied
- On the ratings, we do provide ratings to local customers and I do not believe any TNSP is setting ratings with the intention of impacting the market.

**Ben Skinner**

- Pleased to hear that ratings are published, however I would like to understand how the rating decisions are made.

**Private citizen**

- Why should customers pay more for transmission incentives to reduce the risk of market participants?

**Ben Skinner**

- This is a competitive market. Any cost that we wear, will in time be worn by the end consumer.

**Frank Montiel**

- Support the development of the appropriate market impact measure.
- More work needs to be done with the market.
- Support the need for further discussions
- I do not believe that single number (nominal) line ratings are not good for this purpose. TNSPs use dynamic limit equations to maximise the capacity of the network. If we used a single number, it would have to be a conservative number.

**Ben Skinner**

- Agree – therefore not proposing to link revenue to the use of nominal ratings, rather an information gathering and analysing exercise. The aim is to identify a change in capacity, rather than get too hung up on notional capacity.

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### **Presentation 3: Mal Park (TransGrid)**

- Differences in line ratings are attributed by differences in physical design. E.g. lines are designed to suit different ambient conditions, load factors, wind loadings, etc.
- TNSPs are working towards a common set of ratings however this will be difficult to achieve given different historical practices, i.e. TransGrid uses actual historical weather data other TNSPs may use different data assumptions. At the end of the day we all arrive at similar continuous ratings.
- Support the Commission process but we need the right incentives.
- TNSPs need to ensure reliable supply to customers.
- Focus on this by supplying distribution network service providers (DNSP) who pay TNSPs revenue.
- Recognise the need for flexible dispatch of generation, when co-ordinating outages and hence we focus outages during low load times.
- When vertically integrated, generation dispatch and transmission decisions were coordinated to achieve minimum constraints.
- Now transmission and generation decisions are made separately by different organisations with different objectives.
- Under normal operating conditions interconnection flows are increasingly volatile. TNSPs have little or no control over this volatility.
- TNSPs do not have control over all the levers that influence interconnector capability.
- We are continually working to increase limits, having regard to the network asset capability.
- Measures of the performance-incentive scheme 1, 2 & 3 are generally OK.
- Measures 4 & 5 need further development though.
- There is a perception that TNSPs do not want to help the market. TNSPs want to maximise network capability and market efficiencies.
- We would like to know if the market prefers:
  - certainty of planned outages; or
  - being responsive to short-term market signals ?

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- Re-scheduling outages, even for system reliability considerations, has been criticised by generators and retailers, who have previously taken a commercial position based on the outage proceeding.
- Only a small percentage of transmission network outages cause interconnection constraints to bind. Other causes that contribute to the binding of an interconnector include, network design, generation dispatched, load patterns, NEMMCO decisions etc.
- The regulatory test, which is based primarily on fuel supply cost differences, shows that it is very difficult to economically justify the augmentation of some interconnectors.

### **John Martin**

- Close for morning tea.
- Any comments on presentation 3 can be made afterwards.

### **Presentation 4: Greg Jones (Hydro Tasmania)**

- Support ERAA & NGF proposal
- NEM entry to occur about 2005
- Commercially negotiated incentive is like owning a car. You get where you want to go and when you want to get there.
- Regulated market based incentives are like travelling on a bus. It is somewhat flexible, it can get you where you want to go. You are restricted by the timetable and routes.
- Regulated technical surrogates are like travelling on a train. Not very flexible. You are restricted by the timetable and the route. The route is completely determined at the time of laying the tracks unlike a bus service who can adopt new routes.
- Agree with publishing details of ratings decisions made by TNSPs
- Service incentives are a complex issue, but important and needs to be addressed now.
- How do you account for the impact of NEMMCO decisions, is it possible or necessary?
- Will create a substantial workload for ACCC but believe it is required.

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- Believe the incentive should be a function of the market impact.
- Does not require attribution of cause or fault
- Performance targets need to be forward looking.
- ACCC draft guidelines do not go far enough.
- Need clarity to negotiate with TNSPs for higher levels of service – What are the Trade Practices considerations?

### **Comments in response to presentation 3 & 4**

#### **Mal Park**

- Negotiating with TNSP:
  - easier when focus is on radial network
  - difficult when looped/shared network

#### **Ben Skinner**

- On the question of certainty of outages. There will be individual winners and losers whether you go ahead with the planned outage or reschedule.
- Believe you would reschedule to create a ‘national’ winner – need to consider broader market efficiency and that is the aim of our suggestion.
- Agree that line ratings must vary - would like to understand the differences in the ratings decision making process (philosophy).

#### **Mal Park**

- Historically, TNSPs have collected data differently, for example TransGrid uses historical weather data. Other TNSPs have adopted different data collection processes.
- Differences in data collection can go back 20 years – nevertheless all TNSPs come up with similar benchmarked results.

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### **Greg Jones**

- We are looking for the TNSP to be flexible and dynamic. This may mean informing participants of potential risks, so the participant has the opportunity of assessing the risk and bearing the cost to achieve a desirable outcome.
- In the revenue reset what is underpinning the capex proposals to the ACCC? If a certain capex decision is made to achieve a certain capacity it would be a shame to see a lower rating on the line for the TNSP to reduce risk. Assets need to be utilised.

### **Mal Park**

- We maximise the utilisation of our assets.– Assets can be loaded at higher levels over short periods – i.e. 15 minute or 5-minute ratings.
- Different risk assessments are applied on different lines depending on their circumstances.

### **Greg Jones**

- Can a customer negotiate a lower level of service for a lower cost?

### **Mal Park**

- We already do that in certain circumstance under the framework of connection agreements with customers.

### **Terry Fagan**

- Also important to distinguish between market augmentation and reliability augmentation. However these service standards are not meant to be incentives on capital rather on operating costs.

### **John Dick**

- General comments:
  - there is massive network investment
  - generators get a free ride – that needs to be changed

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- consumers are driving investment through increased demand (air conditioning)
- need to address the load duration curve
- agree with Mal, NSW is pivotal to the way the NEM works
- there are major distortions because the customer pays a fixed price
- DNSPs simply ask for more money

**John Martin**

Closing comments – commends speakers for helpful input.

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Steve	Abbott	Macquarie Generation
Richard	Abraham	ENERGEX
Simon	Appleby	NRG Flinders
Robert	Bee	TransGrid
James	Benjamin	Office of Energy
Mark	Bourne	EnergyAustralia
David	Chan	Essential Services Commission (Victoria)
Alex	Cruickshank	ERAA & NGF
Peter	Cunningham	Country Energy
John	Dick	Energy Action Group
Leith	Elder	Country Energy
Terry	Fagan	EnergyAustralia
Alex	Georgievski	ACCC
Dany	Gittani	TransGrid
Thomas	Hallam	SPI PowerNet
Greg	Hesse	Tarong Energy
Andrew	Jones	Origin Energy
Greg	Jones	Hydro Tasmania
Rainer	Korte	ElectraNet SA
Ankur	Maheshwari	Transend Networks
John	Martin	ACCC – Commissioner
Robyn	McFarland	AusPower
Matthew	McQuarrie	ACCC
Rick	Miles	ACCC
Ross	Mitchell	Dept. of Treasury and Finance (SA)
Frank	Montiel	Powerlink Queensland
Rebecca	Myers	Ergon Energy
Roger	Oakley	Loy Yang Power
Catherine	O'Neill	Energy Australia
Robert	Outhred	ACCC
Mal	Park	TransGrid
Paul	Ravalli	NEMMCO
Andrew	Roberts	Aurora Energy
Sabesh	Shivasabesan	ACCC
Ben	Skinner	ERAA & NGF
David	Swift	NECA
Con	Van kemenade	Origin Energy
Stephen	Wallace	Intelligent Energy Systems