



# **Quarterly Compliance Report**

## **October – December 2008**

March 2009

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## Glossary

ACCC	<a href="#">Australian Competition &amp; Consumer Commission</a>
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator (see <a href="http://www.aer.gov.au">www.aer.gov.au</a> )
BBP	Braemar Power Project Pty Ltd
Bulletin Board	The <a href="#">Natural Gas Services Bulletin Board</a> established under Chapter 7 of the NGL, commonly known as the National Gas Market Bulletin Board
DNISP	Distribution Network Service Provider
Electricity Regulations	The <a href="#">National Electricity (South Australia) Regulations</a> made under the National Electricity Act
Gas Regulations	The <a href="#">National Gas (South Australia) Regulations</a> made under the National Gas Act
GJ	Gigajoule
MOU	Memorandum of Understanding
MSOR	The <a href="#">Victorian Gas Industry Market and System Operations Rules</a> made under the <i>Gas Industry Act 1994</i> (Victoria)
MW	Megawatt
National Electricity Act	<a href="#">National Electricity (South Australia) Act 1996 (South Australia)</a>
National Gas Act	<a href="#">National Gas (South Australia) Act 2008 (South Australia)</a>
NEL	National Electricity Law (a Schedule to the National Electricity Act)
NEM	The National Electricity Market being the electricity wholesale exchange operated and administered by NEMMCO, and the national electricity system, which covers the following regions as at 1 July 2008: New South Wales, Queensland, South Australia, Victoria and Tasmania
NEMMCO	<a href="#">National Electricity Market Management Company</a>
NER	The <a href="#">National Electricity Rules</a> made under Part 7 of the NEL

NGL	National Gas Law (a Schedule to the National Gas Act)
NGR	The <a href="#">National Gas Rules</a> made under Part 9 of the NGL
NSP	Network Service Provider
registered participants	A person who is registered by NEMMCO in any one or more of the categories listed in clauses 2.2 to 2.7 of the NER (see NEMMCO's <a href="#">Registration and Exemption lists</a> )
RIEMNS	Review of Integration of Energy Market and Network Services
TNSP	Transmission Network Service Provider
VoLL	Value of Lost Load - a price cap applied in accordance with clause 3.9.4 of the NER (electricity) / clause 3.2.4 of the MSOR (gas)
\$5,000/MWh report	Reports issued by the AER under clause 3.13.7(d) of the NER

## Summary

This report outlines the compliance monitoring and enforcement activities of the Australian Energy Regulator (AER) in the December 2008 quarter. The AER has compliance monitoring and enforcement roles in both gas and electricity.

In gas, the AER monitors, investigates and enforces compliance with the National Gas Law (NGL) and National Gas Rules (NGR). It also assists the Australian Competition & Consumer Commission (ACCC) in enforcing the Victorian Gas Industry Market and System Operations Rules (MSOR). Part 3 of this report outlines the AER's activity in these areas in the December 2008 quarter. The major compliance matters that the AER investigated in this period related to:

- an outage at the Longford gas plant of 25 July 2008
- a significant price event on 22 November 2008 in Victoria.

Part 3 also updates work undertaken in relation to the National Gas Market Bulletin Board.

In electricity, the AER monitors, investigates and enforces compliance with the National Electricity Law (NEL) and the National Electricity Rules (NER). Part 4 of this report outlines the AER's activity in these areas in the December 2008 quarter. In this period, the AER:

- completed an investigation into events in October/November 2007 in Queensland, culminating with infringement notices to Braemar Power Project Pty Ltd (see part 4.1.1 of this report)
- continued investigations into "good faith" rebidding by AGL and Stanwell in the March quarter of 2008 (part 4.1.2)
- completed an investigation into the derating of the Heywood interconnector by ElectraNet, and took follow-up action (part 4.1.3)
- published reports on spot market prices for electricity exceeding \$5,000/MWh on 31 October and 20 November 2008 (part 4.1.4)
- targeted six provisions of the NER for compliance review, as shown in table 1. In relation to NER clause 2.3.4, the AER will seek further information from participants. NER clause 3.7A will be the subject of auditing (part 4.3)

Table 1: Targeted NER provisions for review in the December 2008 quarter

NER clause	Description	No. of Participants targeted
2.2.3	Classification of non-scheduled generators	3
2.3.4	Market Customer obligations	9
4.8.12	System restart plan and local black system procedures	1
4.9.2A	Dispatch instructions to Scheduled NSPs	1
7.4.2	Qualifications and registration of Metering Providers	2
3.7A	Market information on planned network outages	1

- monitored jurisdictional derogations that apply to Smelter Traders, Power Traders and Nominated Generators in the National Electricity Market (NEM). There was one instance reported of non-compliance with the applicable Performance Standards by a Nominated Generator in Queensland (part 4.4.1)
- found that the quality of reasons offered for 24 rebids in the NEM warranted review. The AER has sought information where necessary (part 4.5.1).

The AER notes in part 4.2 that it will continue to audit the technical performance standards and associated compliance programs of generators and Transmission Network Service Providers (TNSPs) in 2009. The TNSP audits will also review the arrangements relating to provision of market information on planned network outages.

Table 2 provides a summary of the gas and electricity matters covered in this report.

Table 2: AER compliance activity in December 2008 quarter

Enforcement / Compliance activity	Matter	Status / Outcome
<b>GAS</b>		
Investigations	Longford plant outage of 25 July 2008	Investigation ongoing.
	Significant price event of 22 November 2008	Investigation ongoing.
<b>ELECTRICITY</b>		
Investigations	Market events of October and November 2007 (Queensland)	Infringement notices and penalties imposed on Braemar Power Project for alleged non-compliance with dispatch instructions on 4 November 2007. Conduct of other Queensland generators also considered. Shortcomings with respect to the quality of NEMMCO's voice recordings identified and addressed. Investigations completed.
	Market events of January and February 2008 (South Australia and Queensland)	AER is considering issues related to rebidding in "good faith" by AGL and Stanwell; these investigations are ongoing.
	Heywood Interconnector transfer limits reduction	No breach established, however, quality of information issues and areas of improvement identified and raised with ElectraNet for rectification. Investigation completed.
\$5,000/MWh reports	Market events where the electricity spot price exceeds \$5,000/MWh	2 reports issued this quarter relating to events in October and November 2008.
Audits	Generator and TNSP technical performance compliance programs	Audit program to continue in 2009.
	Market information on planned network outages	Opportunities to improve the quality of reporting identified. Audits in 2009 to verify and review arrangements in this area.
Targeted compliance reviews	Classification of non-scheduled generators	No apparent compliance issues.
	Market customer obligations	Review ongoing.
	System restart plan and local black system procedures	No apparent compliance issues.
	Dispatch instructions to Scheduled NSPs	No apparent compliance issues.
	Metering Providers' qualifications and registration	No apparent compliance issues.
	Market information on planned network outages	See "Audits" comment above.
Jurisdictional derogations reviews	Derogations relating to Smelter Traders, Power Traders and Exempted Generator Agreements	One instance of non-compliance reported by an Exempted Generator; no action required.
Market monitoring	Rebidding inquiries (other than the "good faith" investigations identified above)	There were 24 rebids during the quarter in relation to which the AER sought further information from registered participants.



# 1 Introduction

The AER is responsible for compliance monitoring, reporting and enforcement of the Australian energy industry. It has had regulatory oversight of the National Electricity Market (NEM) since 1 July 2005 and parts of the national gas industry since 1 July 2008. Section 15 of the National Electricity Law (NEL) and section 27 of the National Gas Law (NGL) set out the functions and powers of the AER which include a requirement to:

- (a) monitor compliance by energy industry participants and other persons; and
- (b) investigate breaches or possible breaches of provisions of the legislative instruments under the AER's jurisdiction.

In carrying out its compliance monitoring and enforcement role, the AER aims to help energy industry participants achieve high levels of compliance with the:

- NEL, Electricity Regulations and NER that apply to the electricity industry
- NGL, Gas Regulations and the National Gas Rules (NGR) that apply to the gas industry
- Market and System Operations Rules (MSOR)<sup>1</sup> that apply to the Victorian gas industry.

This report provides an overview of the AER's approach to compliance monitoring and a summary of compliance outcomes and enforcement activities undertaken by the AER in the December 2008 quarter.

The AER would like to hear from electricity and gas industry participants and other interested parties on any matters of compliance, including the specific areas targeted or proposed to be targeted for review.

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<sup>1</sup> At present, the AER assists the ACCC to undertake this function. Under proposed amendments to the national gas legislation to incorporate the MSOR, expected in 2009, the AER will become responsible for monitoring and enforcing those Rules.

## 2 Compliance monitoring and enforcement strategy

The AER's compliance monitoring and enforcement strategy aims to build a culture of corporate compliance within the Australian energy industry.

Industry participants with sound compliance cultures reduce their risk of breaching regulatory obligations. A sound compliance program may also lead to lower penalties in the event that a breach occurs. Furthermore, having a strong culture of compliance throughout the market benefits all industry participants, as each entity will be able to make commercial decisions and negotiate with counter-parties knowing there is a low likelihood of non-compliant conduct by other industry participants.

The AER issued a "Compliance and Enforcement – Statement of Approach"<sup>2</sup>, which aims to provide greater transparency about the AER's compliance monitoring and enforcement strategy. In developing this strategy, the AER undertook a comprehensive compliance risk assessment by reviewing each of the 1500 provisions in the NER.

This risk assessment assists with determining: areas of focus; which monitoring mechanism to use for each provision; the intensity of monitoring; and, the appropriate enforcement response where breaches are identified.

The gas functions and powers conferred on the AER on 1 July 2008 represent a major extension of its responsibilities and consideration is being given on how best to meet these responsibilities. The AER is adopting an approach to gas industry compliance monitoring and enforcement that is consistent with its approach to electricity, but that is tailored to reflect differences between the gas and electricity industries.

The AER is updating its compliance monitoring and enforcement strategy, incorporating its new gas functions. A major element of this update is the extension of the compliance risk assessment to cover provisions in the NGR and the MSOR.

An updated version of the Statement of Approach is expected to be established in 2009. As part of this, the AER will hold compliance and enforcement forums with participants prior to its release.

The compliance monitoring mechanisms currently used by the AER include: audits, targeted compliance reviews, market monitoring, and reporting requirements. In carrying out its monitoring functions, the AER aims for:

- consistency in monitoring over time
- no unnecessary discrimination between registered participants
- cost effective monitoring for energy industry participants and the AER
- transparency, with information published or otherwise made available to the market, subject to any confidentiality requirements.

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<sup>2</sup> See <http://www.aer.gov.au/content/index.phtml/itemId/685897/fromItemId/656069>.

## 3 Gas

The AER is responsible for monitoring, investigating and enforcing compliance with the National Gas Law (NGL) and National Gas Rules (NGR). It also assists the ACCC in monitoring and enforcing compliance with the Victorian Market and Systems Operations Rules (MSOR). This role will transfer to the AER on 1 July 2009.

The AER established systems and procedures to begin monitoring compliance in the gas market in 2008. Part 3 of this report outlines the AER's activities in this area in the December 2008 quarter.

### 3.1 Investigations

The AER investigates possible breaches of provisions of the NGL, its regulations and the NGR. It undertakes enforcement action and institutes proceedings, where necessary. To assist the ACCC, the AER also investigates potential breaches of the MSOR.

The following summarises gas investigations by the AER in the December 2008 quarter. **Appendix A** provides a lists of investigations over the last 4 quarters.

#### 3.1.1 Longford plant outage of 25 July 2008

The AER is continuing its investigation into a plant outage at the Longford gas plant on 25 July 2008. In particular, the AER is reviewing communications between VENCORP and Esso (the owner of Longford) to determine if Esso complied with information requirements under the MSOR.

Under clause 6.2.1(c) of the MSOR, participants must notify VENCORP of any emergencies that may affect supply and what actions they have taken on the issue. The provision of such information is important, because VENCORP uses the information to manage the gas transmission network. For example, if VENCORP deems there is a threat to system security it can inject or remove gas from the system.

The AER has requested and received further information from VENCORP in relation to the timeliness of information provided by Esso. The AER will continue to investigate the matter and report on any further developments.

#### 3.1.2 Significant price event of 22 November 2008

On 22 November, a series of planned and unplanned outages caused available gas supply and system demand to be tight. At 10pm, the shortage of available supply in relation to demand caused the price of gas to be set at the price cap of \$800/GJ, which is the value of lost load (VoLL).

The AER is investigating events prior to, and on, 22 November in relation to the timeliness of information exchange in the market and the compliance by relevant parties with MSOR obligations.

The AER has requested information from the market operator, VENCORP, and Esso. This investigation is ongoing and the AER will report on any further developments.

## **3.2 National Gas Market Bulletin Board**

### **3.2.1 Background**

The Natural Gas Services Bulletin Board, more commonly known as the National Gas Market Bulletin Board, commenced operation on 1 July 2008 and is currently administered by VENC Corp. The enabling legislation and rules for the Bulletin Board are found in the NGL and NGR<sup>3</sup>.

### **3.2.2 Current issues with the Bulletin Board**

The AER monitors the quality of information posted by participants on the Bulletin Board. It has identified a number of examples of missing values in the actual daily flow data on the website. Problems with the timely submission of data to the Bulletin Board were also identified. This suggests that various participants may not be fully complying with their obligations to provide information to the Bulletin Board under the NGR, and in particular under clauses 166, 169 and 174 of the NGR.

The AER is examining potential breaches during the December 2008 quarter and will continue to monitor the Bulletin Board to identify possible future breaches of the NGL and NGR. Systems to allow continuous monitoring of Bulletin Board data are currently being established and will be complemented by a Memorandum of Understanding (MOU) with the Bulletin Board Operator<sup>4</sup> and a program of targeted compliance reviews (see below).

Information submitted to the Bulletin Board Operator by Bulletin Board participants will be summarised in a periodic report to be produced by the AER.

### **3.2.3 Targeted compliance reviews**

The AER will work with gas market participants to achieve high levels of compliance with obligations pertaining to the operation and integrity of the Bulletin Board.

The AER will target key provisions under Part 18 of the NGR over the coming months, to ensure that market participants meet their key obligations. The AER intends to publish the results of these reviews in future quarterly compliance reviews.

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<sup>3</sup> Under Chapter 7 and Part 18 of these respective instruments.

<sup>4</sup> Clause 146 of the NGR requires the Bulletin Board operator, in accordance with any MOU between the operator and the AER, to notify the AER of any breaches, or possible breaches, of this Part that the operator becomes aware of.

## 4 Electricity

The AER is responsible for monitoring, investigating and enforcing compliance in the national electricity arrangements. The AER has functions at the national level under the NEL and NER.

### 4.1 Investigations and \$5,000/MWh reports

The AER investigates possible breaches of provisions of the NEL, Electricity Regulations and NER. It undertakes enforcement action and institutes proceedings, where necessary. Information gathering powers under sections 21 and 28 of the NEL allow the AER to obtain search warrants and to acquire information and documents that are relevant to its monitoring and enforcement functions. The AER will usually seek information on a voluntary basis in the first instance.

This part of the report provides an update on:

- outcomes during the quarter arising from past investigations<sup>5</sup>
- any market events which occurred during the December 2008 quarter
- reports issued by the AER regarding market events where the spot price exceeded \$5,000/MWh<sup>6</sup>.

**Appendix A** of this report lists the electricity investigations undertaken and \$5,000/MWh reports issued during the previous 4 quarters.

#### 4.1.1 Investigation into the events of October and 4 November 2007

On 27 January 2009, the AER published its report into compliance with dispatch instructions by Braemar Power Project Pty Ltd (BPP) and the impacts of network congestion in Queensland on 4 November 2007. The report is available on the [AER website](#).

This report completes the investigation into these events and follows from the AER imposing infringement penalties totalling \$60,000 on BPP in November 2008. The penalties related to the alleged failure of BPP's power station to ensure its offers to supply generation capacity into the NEM accurately reflected its capability, and its alleged failure to follow dispatch instructions issued by NEMMCO.

The report details the results and findings of this investigation, including reasons why the AER alleged BPP failed to follow dispatch instructions. The report also examines the conduct of other generators affected by those events.

During this investigation, the AER also identified shortcomings with NEMMCO's records of power system operational communications. Clause 4.11.4 of the NER requires NEMMCO to record all operational communications and maintain that

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<sup>5</sup> Public electricity investigation reports issued by the AER are available from its [website](#).

<sup>6</sup> These reports are available from the [AER website](#).

information for a period of 7 years<sup>7</sup>. The AER found that the quality of some voice recordings related to this investigation were inadequate. NEMMCO has since addressed this issue by reconfiguring its equipments and conducting monthly checks.

#### **4.1.2 Investigation into rebidding in “good faith”**

The AER is continuing to investigate rebidding by AGL and Stanwell during high price events in the March 2008 quarter in South Australia and Queensland, respectively.

While bidding or rebidding capacity at high prices is not a breach of the NER, generators are required to bid and rebid in “good faith”. The AER is investigating:

- Stanwell’s rebidding on 22 and 23 February 2008
- AGL’s rebidding on 19 February 2008.

In both instances, the AER has used its information gathering powers under section 28 of the NEL to seek extensive information about the circumstances and reasons for the above rebidding. The AER’s findings will be released as soon as these complex investigations are complete.

#### **4.1.3 Investigation into interconnector transfer limits**

On 23 December 2008, the AER published an investigation report into the derating of the Heywood interconnector by ElectraNet, the operator of the transmission network in South Australia. The report is available on the [AER website](#).

The investigation resulted from high spot prices in South Australia over the March quarter 2008. The focus of the investigation was to determine whether ElectraNet complied with its network planning and reporting obligations under the NER.

While the investigation did not reveal specific breaches of the NER, it identified information quality issues. Poor quality information can have significant ramifications for other market participants, who rely on operational and planning publications by network operators for their operational and investment decisions.

Consequently, the AER has requested that ElectraNet commit to improving its processes, consistent with its obligations under clauses 5.6.2(a) and 5.2.3(d)(12) of the NER<sup>8</sup>, which relate to network development and reporting obligations. A copy of ElectraNet’s response in this matter is also available on the [AER website](#).

This investigation brought to light broader issues associated with transmission network planning and reporting across the NEM. While the investigation related to ElectraNet, every TNSP should use reasonable endeavours to provide timely quality information and improve processes in this area.

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<sup>7</sup> For further information, refer to the targeted compliance review listed in the AER’s quarterly compliance report for the period ending 31 December 2007.

<sup>8</sup> Both civil penalty provisions under the Electricity Regulations.

The AER has discussed the findings of this investigation with industry participants to gain a better understanding of how each meets their obligations in this area, with the aim of contributing in the development of a consistent best practice guideline for the industry.

The AER hopes that a number of inadequacies under current network development and planning process will be addressed through the implementation of a National Transmission Planner framework in 2009.

This investigation also identified issues in NEMMCO's reporting of generator capacity data. The existence of multiple but differing capacity data for the same generating units creates uncertainty as to which data should be relied on for analysis and reporting, and for network connection agreement purposes. The timing of output data changes is also critical. In this instance, a relatively small increase in the capacity of the largest generator in South Australia significantly reduced the Heywood interconnector's capability.

NEMMCO is currently working to update that generator's registered performance standards to reflect the requested increase of the registered capacity. NEMMCO also advised that it is preparing a rule change proposal to clarify the collection and use of generator capacity data.

#### **4.1.4 Spot price events exceeding \$5,000/MWh**

The AER is required to publish a report<sup>9</sup> covering the circumstances in which the spot price<sup>10</sup> in the electricity wholesale market or the electricity ancillary services market<sup>11</sup> exceeds \$5000/MWh in a trading interval<sup>12</sup>. The reports enhance the transparent operation of the NEM and help identify instances of non-compliance.

During the December 2008 quarter, the spot price exceeded \$5000/MWh on two occasions:

- on 31 October 2008 in New South Wales, due to low generation availability, combined with high temperatures (the high temperatures caused demand to reach its highest level since the preceding winter)
- on 20 November 2008 in Queensland, due to unplanned reductions in generator availability, combined with low import capability into Queensland and above-forecast demand.

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<sup>9</sup> Under clause 3.13.7 (d) and (e) of the NER.

<sup>10</sup> The price for electricity in a trading interval at a regional reference node or a connection point as determined in accordance with clause 3.9.2 of the NER.

<sup>11</sup> Market ancillary services are required to maintain the power system frequency within the standard. These services are offered into the market systems by registered providers (usually generators) along with energy market offers from the same provider and dispatched by NEMMCO in each 5-minute dispatch interval.

<sup>12</sup> A trading interval is a 30-minute period ending on the hour (Australian Eastern Standard Time) or on the half hour and, where identified by a time, means the 30 minute period ending at that time.

A list of the \$5,000/MWh reports published by the AER during the previous four quarters is attached in **Appendix A**. The reports are available on the [AER website](#).

#### **4.1.4.1 Investigations into previous spot price events**

In previous compliance reports, the AER reported on high spot and market ancillary services<sup>13</sup> prices occurred on 23 July 2008 in all mainland NEM regions<sup>14</sup> and Tasmania, respectively. The AER reviewed NEMMCO's Operating Incident Report as well as information provided by Hydro Tasmania concerning its rebidding in the ancillary services markets. Based on this, the AER concluded that no further action was required in this matter.

The AER is continuing to review SP AusNet's unplanned outage that contributed to this high price event, in light of the technical standards audits undertaken in 2008, which also involved SP AusNet's compliance program.

## **4.2 Audits**

Auditing is one mechanism used by the AER to verify and assess compliance by registered participants with their obligations under the NEL, the Electricity Regulations and the NER. The audits aim to ensure that market participants have robust and effective compliance programs in place.

There are two main types of audits:

- audits of registered participants' internal systems and processes
- technical audits focusing on compliance with technical standards under the NER.

The AER will conduct audits in 2009 on compliance with clause 3.7A of the NER, following a review of this clause commenced in the September 2008 quarter (see part 4.3.6 of the report). The AER will also continue its technical performance standards and associated compliance program auditing during 2009.

## **4.3 Targeted compliance reviews**

Targeted compliance reviews are an important element of the AER's compliance monitoring activities. The AER targets at least 24 NER provisions each year for detailed review.

The provisions to be targeted are selected on the basis of the AER's compliance risk assessment noted in part 2 of this report. **Appendix B** lists the NER provisions targeted during the previous 5 quarters.

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<sup>13</sup> Market ancillary services are required to maintain the power system frequency within the standard. These services are offered into the market systems by registered providers (usually generators) along with energy market offers from the same provider and dispatched by NEMMCO in each 5-minute dispatch interval.

<sup>14</sup> I.e. New South Wales, Queensland, South Australia and Victoria.



NER provisions are selected for review in accordance with the following principles:

- provisions with relatively high compliance risk are targeted as a matter of priority
- both systemic issues and those with the potential for isolated but significant incidents are addressed
- there is no unnecessary discrimination between registered participants, which are generally selected at random.

The targeted compliance reviews aim to determine:

- registered participants' understanding of their obligations under the NER
- what systems and processes, including compliance programs and plans, registered participants have in place to deal with their obligations.

While the majority of obligations under the NER do not require registered participants to establish specific compliance programs, the AER takes into account a participant's compliance culture in determining its enforcement response to breaches. In assessing a participant's compliance culture, the AER will have regard to whether the participant's systems and processes are effective, up-to-date and tested regularly.

In the December 2008 quarter, the following NER provisions were targeted for review:

- Classification of non-scheduled generators (clause 2.2.3)
- Market Customer obligations (clause 2.3.4)
- System restart plan and local black system procedures (clause 4.8.12)
- Dispatch instructions to Scheduled Network Service Providers (clause 4.9.2A)
- Qualifications and registration of Metering Providers (clause 7.4.2)
- Market information on planned network outages (clause 3.7A).

#### **4.3.1 Classification of non-scheduled generators**

Clause 2.2.3 of the NER relates to generators whose generating units or systems are classified as non-scheduled<sup>15</sup> in accordance with Chapter 2 of the NER. The AER first reviewed this clause in the September 2008. The findings of that review are set out in the respective quarterly compliance report.

Under the provision, a person must not classify a generating unit as non-scheduled without NEMMCO's approval. Clause 2.2.3(c) allows NEMMCO to apply terms and conditions on such an approval for any reason (including power system security). Clause 2.2.3(d) requires compliance with any such terms and conditions.

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<sup>15</sup> Unlike scheduled generators, non-scheduled generators are generally not required to respond to dispatch instructions from NEMMCO. They often comprise a number of smaller generating units aggregated into one, such as: a wind farm comprising multiple units; small scale hydro systems; or open cycle engines.

In the December 2008 quarter, the AER sought information from AGL, Delta Electricity and TRUenergy on this matter. Other than Delta Electricity which is based in New South Wales, the participants have scheduled and non-scheduled generating units or systems in multiple NEM regions.

The information sought included:

- details of any instances when the participants sought approval from NEMMCO for the classification of a generating unit as a non-scheduled generating unit
- details of any terms and conditions imposed by NEMMCO, including details of the systems or procedures in place to ensure compliance with any such terms and conditions, and details of any non-compliance and remedial actions in this regard.

#### *AGL*

The AGL portfolio includes a large number of non-scheduled generating units or systems, including those acquired from Southern Hydro in 2005 and Powerdirect entities in 2007.

AGL's non-scheduled generators range from 1 MW (West Nowra Landfill Gas Power Generation Facility in New South Wales) to its 90.8 MW Wattle Point Wind Farm in South Australia. These generators are all registered in accordance with clause 2.2.3 of the NER.

AGL advised that NEMMCO has not imposed any conditions on its non-scheduled generating units or systems. A proviso is that the Wattle Point Wind Farm was subject to conditions relating to the provision of certain information for wind farms. Those conditions are now redundant given that the information to which it related is now required by NEMMCO as part of its Australian Wind Energy Forecasting system.

#### *Delta Electricity*

Delta Energy's operations are based in New South Wales only and its portfolio comprises six generating units or systems registered by NEMMCO. The Broadwater and Condong Power Stations, which are bagasse cogeneration units of 30 MW each, are Delta's only non-scheduled generators for the purposes of clause 2.2.3 of the NER.

Delta Energy advised that neither of its non-scheduled generators is subject to any terms and conditions imposed by NEMMCO under clause 2.2.3(c) of the NER.

#### *TRUenergy*

At present, the Longford Plant in Victoria, which is a 32 MW gas turbine generator operated by Esso Australia, is the only non-scheduled generator in TRUenergy's portfolio. Registration as a non-scheduled generator for the Paper Australia Burnie Mill in Tasmania is pending.

TRUenergy advised that NEMMCO has not imposed any conditions on its non-scheduled generating units or systems, and that none are expected for the Burnie Mill.

TRUenergy also advised that, with respect to compliance with performance standards by the Longford Plant under clause 4.15 of the Rules, Esso Australia has put in place a compliance plan that is embedded in the Plant's operating procedures. In addition, TRUenergy stated that it is in regular contact with Esso Australia and requires advice on any reported non-compliance with the above clause.

### **Review outcomes**

As reported in the previous quarterly compliance report, the public [registration and exemption lists](#), maintained by NEMMCO set out all participants who have registered scheduled and non-scheduled generating units in the NEM.

This quarter, none of the non-scheduled generators reviewed were subject to terms and conditions imposed by NEMMCO. As such, no compliance issues arise. The arrangements for Longford Plant illustrate how registered entities must remain actively involved to ensure compliance with their obligations under the NER.

In relation to the September 2008 review, the AER notes that it received a full response from Hydro Tasmania, relating to the Woolnorth Bluff Point Wind Farm. The wind farm, for which Hydro Tasmania is the registered entity, is owned by a third party—Roaring 40s. Hydro Tasmania advised that the registration covers units 1 to 37 of that wind farm and that these are subject to operational conditions imposed by NEMMCO<sup>16</sup>. To address these, Roaring 40s is developing Compliance Management Plans (in consultation with NEMMCO) and a Compliance Management System.

### **4.3.2 Market Customer obligations**

Market Customers are persons (typically retailers) registered by NEMMCO under Chapter 2 of the NER who engage in the activity of purchasing electricity supplied through a transmission or distribution system to a connection point.

The AER first reviewed clauses 2.3.4(h) and the now repealed 7.1.4(a) of the NER in the December 2005 quarter. This quarter, the AER focused on clause 2.3.4(c), (g) and (h). Specifically:

- under clause 2.3.4(c), a Market Customer must purchase all electricity supplied at that connection point from the spot market and make payments to NEMMCO for electricity supplied at the connection point as determined for each trading interval in accordance with the provisions of Chapter 3 of the NER, which prescribes the Market Rules
- clause 2.3.4(g) states that a Market Customer who submits dispatch bids for scheduled loads and makes its scheduled loads available for central dispatch must comply with the dispatch instructions from NEMMCO in accordance with the NER

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<sup>16</sup> Relating to medium term Projected Assessment of System Adequacy (PASA) and planned outage notification to NEMMCO under clause 3.7.2(d) and (e) of the NER; technical requirements under clause S5.2.6.1 of the NER; provision and maintenance of a primary speech facility under clause S5.2.6.3 of the NER; dispatch instructions arrangements under clauses 4.9.2(b), (b1) and (c).

- clause 2.3.4(h), requires a Customer who is also a Local Retailer<sup>17</sup> to classify any connection point which connects its local area to another part of the power system as a market load.

The AER sought information from the Local Retailers in all NEM jurisdictions:

- ActewAGL - the only Local Retailer for the Australian Capital Territory, owned by that Territory's Government and AGL Energy
- AGL Energy - a private entity that is a Local Retailer in Victoria and South Australia, and in Queensland through its acquisition of the Powerdirect entities
- Aurora Energy - the only Local Retailer for Tasmania
- Country Energy, EnergyAustralia and Integral Energy – New South Wales Government owned Local Retailers
- Ergon Energy – a Queensland Government owned Local Retailer
- Origin Energy – a private entity that is a Local Retailer in Queensland and Victoria
- TRUenergy - a private entity that is a Local Retailer in Queensland.

In some instances the information received from participants failed to address the questions. The AER will require further information and clarification from several participants.

The review of this provision highlighted differences across the NEM. For example, in Tasmania the only Local Retailer is Aurora Energy and, because of its geography, the only Tasmanian connection point to another part of the power system is represented by the Basslink interconnector. Local Retailers in other jurisdictions, on the other hand, have a myriad of connection points captured by clause 2.3.4(h) of the NER.

As a further example, cross boundary flows in Victoria affect compliance with clause 2.3.4(c) of the NER within that region. According to Origin Energy, “geographic network areas do not in all cases receive power directly from the appropriate Local Retailer due to physical and/or financial constraints”. The AER understands that alternate arrangements are in place between the affected parties, to address this compliance issue.

The outcomes of the review of clause 2.3.4 of the NER will be published in the March 2009 quarterly compliance report.

### **4.3.3 System restart plan and local black system procedures**

Clause 4.8.12 and 4.8.14 of the NER relate to power system restoration and procedures in the event that the power system must be restarted as a result of a complete shutdown. NEMMCO published guidelines on this matter in July 2006. The AER began a compliance review of clause 4.8.12 in the September 2008 quarter, which followed a review of clause 4.8.14 in the March 2008 quarter.

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<sup>17</sup> A Local Retailer is a Customer who is either: (1) a business unit or related body corporate of the relevant local NSP; (2) responsible under relevant jurisdictional legislation for the supply of electricity to franchise customers in that local area; or (3) if neither of the above, such Customer as NEMMCO may determine.

Clause 4.8.12 relates to the development, approval, review and amendment of local black system procedures. Sub-clause (d) and (f) cover development, sub-clause (g) covers approval, sub-clause (d) covers review and sub-clauses (h) and (i) cover amendments.

As part of the AER review, Macquarie Generation was asked to provide the following information:

- confirmation that it has developed and submitted to NEMMCO local black system procedures in accordance with the guidelines published by NEMMCO and the requirements of clause 4.8.12(f)
- confirmation that its local black system procedures are consistent with any ancillary services agreement to provide system restart ancillary services to which Macquarie Generation is a party
- confirmation that it follows all instructions from NEMMCO regarding reviewing and amending its procedures, in compliance with sub-clauses 4.8.12(d), (h) and (i).

### **Response summary**

Macquarie Generation, which is based in New South Wales, confirmed that it has developed and submitted local black system procedures for its Bayswater, Liddell Power Stations and the Hunter Valley Gas Turbine Station, in accordance with NEMMCO's guidelines.

Macquarie Generation has also confirmed that these procedures are consistent with the ancillary services agreement in place with NEMMCO, which covers the provision of ancillary services by the Hunter Valley Gas Turbine Station.

Macquarie Generation also indicated that since approval of its procedures by NEMMCO in July 2008, it has not received any instructions for their review or amendment, although those relating to the Hunter Valley Gas Turbine were recently reviewed, revised and submitted to NEMMCO following a control system upgrade.

### **Review outcomes**

Based on Macquarie Generation's information and given the advice that its local black system procedures were approved by NEMMCO, there appears to be no compliance issues in this instance. Given the importance of these procedures, as explained in the last quarterly compliance report, the review of clause 4.8.12 of the NER will continue.

### **4.3.4 Dispatch instructions to Scheduled NSPs**

Ensuring that participants have in place systems or procedures, including human resources, to respond to dispatch instructions from NEMMCO, is an important contributor to power system security.

NEMMCO administers and manages the NEM and its power system through various means, including by issuing dispatch instructions to market participants. Clause 4.9.2A(a) of the NER confers on NEMMCO the power to direct or instruct a scheduled NSP, nominating:

- whether the facilities for remote control by NEMMCO, if available, are required to be in service
- the level or schedule of power to be transferred by the network service over the specified service.

Clause 4.9.2A(c) of the NER requires a Scheduled NSP to ensure that appropriate personnel are available at all times to receive and immediately act upon dispatch instructions from NEMMCO.

The Basslink interconnector is the only scheduled NSP in the NEM. As part of this review, the AER requested Basslink Pty Ltd to provide details of the systems or procedures, as well as human resources that it uses, to ensure its obligations under clause 4.9.2A(c) are met.

### **Response summary**

Basslink confirmed that it has personnel, processes and systems in place to respond to any directions from NEMMCO.

The documentation in support of this claim indicates that Basslink's converter stations are manned during normal working days and hours, with staff also available around the clock to cover emergencies, incidents and any requirement for rebidding or manual control directed by NEMMCO.

The interconnector is dispatched directly by the National Electricity Market Dispatch Engine<sup>18</sup> and, in the event that data communications with NEMMCO are lost, it can also be dispatched manually from Basslink's converter stations, Melbourne office or remotely.

Basslink is a fully automated facility, without any need for manual intervention during ordinary operation. Its control systems do however allow for manual control if directed by NEMMCO.

### **Review outcomes**

At present, this provision applies only to Basslink since it is the only scheduled NSP in the NEM. Based on the information and advice received, there appear to be no compliance issues in this instance.

### **4.3.5 Qualifications and registration of Metering Providers**

Chapter 7 of the NER establishes a framework for metering arrangements within the NEM. The AER has continued its review of clause 7.4.2 of the NER, dealing with qualifications and registration of Metering Providers<sup>19</sup> from the September 2008 quarter. The clause provides that:

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<sup>18</sup> A computer program used by NEMMCO to manage the power system, which uses industry-standard linear programming tools to optimise dispatch.

<sup>19</sup> A registration list of these providers is available from the [NEMMCO website](#).

- a Metering Provider must comply with the relevant provisions of the NER and procedures authorised under the NER, and with any requirements established by NEMMCO that are expressed to apply to Metering Providers (clauses 7.4.2(bc) and (bb))
- NSPs must either register as a Metering Provider or enter into agreements with a Metering Provider for the provision of metering services (clause 7.4.2(c))
- a NSP must allow a person other than a market participant to engage a Metering Provider to install a metering installation,<sup>20</sup> where the person does so in accordance with the metrology procedure developed and published by NEMMCO under clause 7.14 of the NER (clause 7.4.2(ca)).

The Distribution Network Service Providers (DNSPs) targeted for review in December 2008 were EnergyAustralia and ETSA Utilities. The AER sought:

- confirmation that the DNSPs are either registered as a Metering Provider or have entered into agreements with Metering Providers for the provision of metering services
- details of the systems or procedures in place to ensure that the DNSPs or their Metering Providers comply with the NER provisions and procedures, and any relevant requirements established by NEMMCO
- details of any audits undertaken with respect to ensuring compliance with clauses 7.4.2(bb) and 7.4.2(ca), including details of any non-compliance in this area, including remedial action taken.

### **Response summary**

#### *EnergyAustralia*

EnergyAustralia is one of three electricity distribution businesses in New South Wales, with over 1.5 million customers<sup>21</sup>. It advised the AER that it is registered as a Metering Provider, through Testing and Certification Australia Metering Provider (TCAMP).

The requirements to appropriately meter an installation, in accordance with the NER and NEMMCO's Metrology Procedure, are governed by the New South Wales Government's "Service and Installation Rules" and are also covered by EnergyAustralia's own policy documents. In addition, TCAMP operates under a "Metering Maintenance Policy" and "Metering Asset Management Plan", which relate to the maintenance and management of metering equipment.

Arrangements are in place to allow a person other than a market participant to engage a Metering Provider for installation purposes. Prior to commencing any metering work on its network, all Metering Providers and Accredited Service Providers are required to obtain written authorisation from EnergyAustralia. Inspections, safety

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<sup>20</sup> For installation types and characteristics, refer to Table S7.2.3.1 of the NER.

<sup>21</sup> See "Chapter 5 – Electricity Distribution" of the AER's [State of the Energy Market 2008](#) publication.

audits, local authorisation and supervision are other methods employed by EnergyAustralia to ensure compliant metering work by TCAMP and Accredited Service Providers.

Finally, EnergyAustralia has indicated that TCAMP is audited on an annual basis by NEMMCO. Despite the identification of partial non-compliance, to which EnergyAustralia has responded, NEMMCO approved TCAMP's Metering Asset Management Plan.

#### *ETSA Utilities*

ETSA Utilities is the only electricity distribution business in South Australia, with approximately 780,000 customers<sup>22</sup>. ETSA Utilities advised the AER that it is registered as a Metering Provider for the provision of metering services.

ETSA Utilities advised that it has developed work procedures and processes to ensure it complies with the NER. In addition, an ISO 9001:2008 compliant "Quality Management System" is employed to manage the installation, testing, monitoring and repair of electrical metering equipment.

As in the case of EnergyAustralia, the ETSA Utilities confirmed that it is compliant with clause 7.4.2(ca) of the NER, and that it is subjected to annual audits by NEMMCO, in addition to internal reviews. Those audits have identified areas of non-compliance in the testing and verification of current transformers and voltage transformers. ETSA Utilities advised that these issues are being addressed through increased resourcing and new testing equipment.

Finally, ETSA Utilities advised that it prepared a revised Asset Management Plan that it will submit to NEMMCO and the South Australian jurisdictional regulator shortly.

#### **Review outcomes**

EnergyAustralia and ETSA Utilities claim to have systems and procedures in place to meet metering obligations. Both are subject to annual Metering Provider audits by NEMMCO or its agents, as well as other internal review mechanisms.

Both EnergyAustralia and ETSA Utilities reported areas of non-compliance through the audits. Despite this, the information does not appear to indicate significant compliance issues, particularly as the identified areas of non-compliance are being addressed through remedial action.

While the AER has concluded its review of compliance with clause 7.4.2, it may resume the audit in future by targeting other registered participants.

#### **4.3.6 Market information on planned network outages**

The review of clause 3.7A of the NER commenced in the September 2008 quarter. This provision requires TNSPs to publish information on their planned network outages to help market participants make projections of market outcomes.

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<sup>22</sup> *Ibid.*



TNSPs must provide to NEMMCO and publish, on a monthly basis:

- details of the forecast timing of network outages, including factors affecting the timing and likelihood of the outages
- details of the reason for the planned network outage, including the nature and extent of works required, if any
- any other information that is reasonably requested by NEMMCO on planned outages planned for the following 13 months.

TNSPs meet the requirements of clause 3.7A by submitting information to NEMMCO which is made available in the form of Review of Integration of Energy Market and Network Services (RIEMNS) reports.

The AER monitors the quality of the RIEMNS reports. This monitoring indicates there is scope to improve the planned outage information made available by TNSPs, including in relation to:

- Completeness — whether the reports include all relevant planned outages
- Accuracy — whether the details submitted (for instance, in relation to the timing of the outage) are reliable
- Consistency — including whether it is possible to trace a planned outage through consecutive RIEMNS reports and whether the information provided by different TNSPs is comparable
- Timeliness — whether TNSPs submit timely information to NEMMCO.

As set out in the September 2008 quarterly compliance report, the AER asked the five major TNSPs (ElectraNet, Powerlink, SP AusNet, Transend and TransGrid) to review and provide an update on their compliance arrangements with respect to their RIEMNS obligations, including quantitative information on the amount of notice given for planned outages during a nominated 12-day period.

### **Review outcomes**

The review has not identified any evidence that suggests TNSPs have failed to meet the requirements of clause 3.7A of the NER.

The TNSPs' responses to the AER's request for information tended to focus on why it is unrealistic to expect planned outage information to be wholly complete and accurate, and to make the case that their compliance arrangements met the requirements of clause 3.7A.

TNSPs pointed out that planned outages are necessarily subject to change due to a range of factors such as the weather and conditions on the electricity network. Accordingly, clause 3.7A(a) sets out a number of qualifications that give TNSPs flexibility to diverge from their published plans. These qualifications would make it difficult for the AER to demonstrate that a TNSP that submitted poor quality RIEMNS reports was in breach of clause 3.7A.

These difficulties are compounded by ambiguities in the requirements of clause 3.7A.

The clause requires TNSPs to provide information in relation to planned network outages that “will have or are likely to have a material effect on transfer capabilities”. Each TNSP has adopted a different approach for determining whether an outage is likely to meet this criterion. As a result, there are significant differences in the methods that TNSPs use to decide whether an outage should be included in RIEMNS.

For example, the number of outages identified by TNSPs during the nominated 12-day period, ranged from zero to over fifty. This range appears wider than could reasonably be attributed to operational differences between the networks.

Several TNSPs indicated that their current arrangements for complying with clause 3.7A constitute a significant workload and that they were considering strategies to streamline the process. Several TNSPs also expressed their willingness to participate in a process to clarify the arrangements.

On the basis of its review so far, the AER believes that there are opportunities to improve the quality of the RIEMNS reports, particularly in relation to longer-term planned outages. To help identify these opportunities, the AER intends to include TNSPs’ arrangements for complying with clause 3.7A in its next round of technical audits. The AER will consider how the planned network outage information arrangements could better meet the needs of market participants, including whether there are strategies to reduce TNSP workload without compromising the quality of the RIEMNS reports.

In particular, the audits will compare the planned outage programs as advised in the RIEMNS reports with actual outcomes. The audits will also review the methods used by TNSPs to determine whether a planned outage is likely to have a material effect on transfer capabilities, and will suggest best practice methods.

#### **4.3.7 Upcoming targeted compliance reviews**

The provisions of the NER that will be targeted for compliance reviews during the March 2009 quarter will include:

- clauses 4.14, 4.15 and 5.7.3 relating to Performance Standards. The AER is focusing on this area due to an increased number of breach notifications by generators since the implementation of a new framework requiring the registration of these standards by 30 June 2007
- clause 5.3.9 relating to the procedure that generators must follow when proposing changes to their generating systems
- clause 4.8.12 relating to system restart plans and local black system procedures, as part of a continuation of the review in the December 2008 quarter.

The AER will also included a series of provisions under the NGR and target other provisions of the NER in accordance with the compliance risk assessment noted in part 2 of this report.

## **4.4 Jurisdictional derogations**

Chapter 9 of the NER preserves certain jurisdiction-specific arrangements. These are known as jurisdictional derogations and exempt particular registered participants from compliance with specified provisions in the NER. Each quarter, the AER must prepare an assessment of the effect that any act or omission would have on the efficient operation of the market, arising from the operations of participants to whom the derogations apply. This section outlines the AER's findings and notes any regulatory developments during the quarter.

### **4.4.1 Derogations relating to Smelter Traders, Power Traders and Exempted Generator Agreements**

Chapter 9 derogations exempt Victorian Smelter Traders, New South Wales Power Traders and nominated generators in Queensland (for the purposes of Exempted Generator Agreements) from complying with the NER to the extent that there exists:

- any inconsistency between the NER and a contractual requirement under the relevant agreement between the various governments and other entities; and
- any other specified exemption in the jurisdictional derogations.

These participants must give notice to the AER of any act or omission which partly or wholly constitutes non-compliance with the NER.<sup>23</sup>

Other than Stanwell Corporation, which is responsible for the Gladstone Power Station in Queensland, the above participants advised the AER that there were no instances of non-compliance which materially affected the efficient operation of the market during the quarter.

In November 2008, Stanwell Corporation notified a breach of clause S5.2.5.1 of the NER due to Gladstone Power Station's inability to meet its reactive power capability and associated parameters, established under its registered technical performance standard. The AER is considering this matter in light of similar breach notifications and the removal of related derogations (see below). Technical performance standards audits and a compliance review (refer to sections 4.2 and 4.3.7 of this report) will be used to further assess these breaches.

### **4.4.2 Removal of technical performance standards derogations**

The compliance report for the December 2007 quarter provided a summary of the AER's correspondence to the Ministers in Victoria and Queensland recommending the removal of the Chapter 9 derogations relating to Generator technical standards.

This initiative stemmed from the AER's investigation into the events of 16 January 2007, which concluded that, among other things, the application of less exacting technical standards to some generators through Chapter 9 derogations has the potential to compromise system security.

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<sup>23</sup> Refer to clauses 9.4.3 (Smelter Trader – Vicpower Trading), 9.12.3 (Power Traders – Delta Electricity and Macquarie Generation) and 9.34.6 (nominated generators – CS Energy and Stanwell Corporation) of the NER.

In August 2008, the Queensland Government lodged a Rule change proposal with the AEMC<sup>24</sup> to delete from the NER most generator technical performance derogations that apply to prescribed generating units in Queensland, under clause 9.37 of the NER. In December 2008, the AEMC published a notice under sections 102 and 103 of the NEL confirming that it approved the Queensland Government's Rule change proposal. The Gladstone and Collinsville Power Stations are the only Queensland generators still covered by the above derogations, pending registration of their technical performance standards with NEMMCO.

## 4.5 Market monitoring

The AER monitors the performance of the NEM on an ongoing basis to screen for indicators of any non-compliance with obligations under the NEL, the Electricity Regulations or NER. This monitoring relies on publicly available data and information provided by NEMMCO and other entities. Although market monitoring is used to screen for non-compliance with a wide range of provisions, this section of the report focuses on queries made by the AER that have arisen from screening of rebid data and information.

### 4.5.1 Rebidding inquiries

Scheduled generators and market participants submit offers and bids for each of the 48 intervals in the trading day. These offers and bids cover prices and volumes in up to 10 price bands, and can be varied through rebidding.

Clause 3.8.22A of the NER requires scheduled generators and market participants to make dispatch offers, dispatch bids and any rebids in “good faith” – that is, with the intention of honouring that offer or bid.

Under clause 3.8.22 of the NER, market participants are required to provide to NEMMCO, at the same time as a rebid is made:

- a brief, verifiable and specific reason for the rebid; and
- the time at which the event(s) or other occurrence(s) adduced by the market participant as the reason for the rebid occurred.

Equivalent requirements apply where a market participant advises NEMMCO that a scheduled generating unit, scheduled network service or scheduled load is inflexible<sup>25</sup>, under clause 3.8.19 of the NER.

The information requirements in clause 3.8.22 can assist in determining whether scheduled generators and market participants make dispatch offers, dispatch bids and rebids in “good faith”.

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<sup>24</sup> Refer to the AEMC's website notice at <http://www.aemc.gov.au/electricity.php?r=20080814.161125>.

<sup>25</sup> The situation where, in accordance with the NER, a scheduled generating unit, scheduled load or scheduled network service is only able to be dispatched in the trading interval at a fixed loading level specified in accordance with clause 3.8.19(a) of the NER.

Table 3 summarises for the December 2008 quarter the number of compliance issues reviewed by the AER relating to the quality of rebid reasons provided under clauses 3.8.19 (inflexibility) and 3.8.22 (rebidding).

Table 3: Rebidding reviews in the December 2008 quarter

NER Clause	Compliance issue	No. of participants under review
3.8.19(b)(1)	The rebid submitted does not provide a brief, verifiable and specific reason why the scheduled generating unit, scheduled network service or scheduled load is inflexible	4
3.8.22(c)(2)(i)	The rebid submitted does not provide a brief, verifiable and specific reason for the rebid	7
3.8.22(c)(2)(ii)	The rebid submitted does not include the time at which the event(s) or other occurrence(s) adduced by the scheduled generator or market participant as the reason for the rebid occurred	13

The AER has sought further information from the relevant participants. Following initial enquiries, corrective action by participants has, in most instances, improved the quality of the rebid reasons provided. There are also two investigations into “good faith” re-bidding identified earlier in this report in section 4.1.2.

#### 4.5.2 Consultation on revised Rebidding Guidelines

On 15 January 2009, the AEMC adopted a change to the NER that amended the circumstances under which scheduled generators and market participants are able to bid themselves as inflexible. In addition, a new provision has been introduced that provides a minimum ramp rate<sup>26</sup>.

Under the new provisions, the AER must issue guidelines on the additional information that the AER may seek to verify the reason adduced for the inflexibility or below minimum ramp rate. Accordingly, revised rebidding, inflexibility and ramp rate guidelines are being drafted and will be the subject of consultation in the March 2009 quarter.

As part of this process, the AER is also proposing to redraft the rebidding guidelines published under clause 3.8.22(c)(3) of the National Electricity Code by the National Electricity Code Administrator in July 2001. Following several years of market monitoring and enforcement activity, the AER considers that it is now appropriate to clarify what is expected of market participants when providing a rebid reason.

<sup>26</sup> The minimum rate of change of active power supplied from a generating unit, supplied to a load or transferred by a scheduled network service.

## Appendix A: AER investigations and reporting summary

This is a summary table of the AER's electricity and gas investigations, as well as \$5,000/MWh reports during the previous 4 quarters.

Industry	Date of event	Description	Status
Electricity	4 and 10 January, 18 and 19 February 2008	\$5,000/MWh Report	Issued
		Investigation into rebidding (South Australia – AGL)	Review ongoing
		Investigation into reduced flow capabilities of interconnector (South Australia)	Completed
Electricity	26 January 2008	\$5,000/MWh Report	Issued
Electricity	30 January and 7 February 2008	\$5,000/MWh Report	Issued
Electricity	22-23 February 2008	\$5,000/MWh Report	Issued
		Investigation into rebidding (Queensland - Stanwell)	Review ongoing
Electricity	5-7 and 12-13 March 2008	\$5,000/MWh Report	Issued
Electricity	17 March 2008	\$5,000/MWh Report	Issued
Electricity	23 July 2008	\$5,000/MWh Report	Issued
Gas	25 July 2008	Investigation of MSOR compliance following Longford plant outage (Victoria)	Ongoing
Gas	10 August 2008	Investigation of Bulletin Board compliance following Moomba plant outage (South Australia)	Completed
Electricity	31 October 2008	\$5,000/MWh Report	Issued

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<b>Industry</b>	<b>Date of event</b>	<b>Description</b>	<b>Status</b>
Electricity	20 November 2008	\$5,000/MWh Report	Issued
Gas	22 November 2008	Investigation following significant price event (Victoria)	Ongoing

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## Appendix B: Targeted rule provisions summary

This is a summary table of the provisions under the National Electricity Rules (NER), National Gas Rules (NGR) and Victorian Gas Industry Market and System Operations Rules (MSOR) targeted for compliance reviews by the AER during the previous 4 quarters.

Quarter ending	Industry	Rules & Clause	Description	No. of Participants targeted	Status <sup>27</sup>
March 2008	Electricity	NER 3.11.3	Acquisition of non-market ancillary services	1	Review completed
		NER 4.4.2	Operational frequency control requirements	2	Review completed
		NER 4.8.9	Power to issue directions and clause 4.8.9 directions	2	Review ongoing
		NER 4.8.14	Power system restoration	2	Review completed
		NER 4.10.3	Operating interaction with Distribution Networks	1	Review completed
		NER 5.2.5	Obligations of generators	3	Review completed
		NER 5.5	Access arrangements relating to Distribution Networks	2	Review completed
		NER 7.3.4	Metering installation types and accuracy	2	Review completed
		NER 7.8.2	Metering security controls	2	Review completed

<sup>27</sup> “Review ongoing” refers to a targeted provision’s review conducted over more than one quarter and involving different registered participants in each of the quarters.



<b>Quarter ending</b>	<b>Industry</b>	<b>Rules &amp; Clause</b>	<b>Description</b>	<b>No. of Participants targeted</b>	<b>Status<sup>27</sup></b>
June 2008	Electricity	NER 2.2.6	Ancillary services generating unit	3	Review completed
		NER 4.4.3	Generator protection requirements	2	Review completed
		NER 4.8.5A	Determination of the latest time for intervention by direction or dispatch of reserve contract	2	Review completed
		NER 4.8.9	Power to issue directions and clause 4.8.9 instructions	1	Review ongoing
		NER 4.9.2	Dispatch instructions to scheduled generators	2	Review completed
		NER 5.3.2	Connection enquiry	2	Review completed
		NER 5.3.6	Offer to connect	3	Review completed
September 2008	Electricity	NER 2.2.3	Classification of non-scheduled generators	3	Review ongoing
		NER 3.7A	Market information on planned network outages	5	Review ongoing
		NER 4.8.9	Power to issue directions and clause 4.8.9 instructions	1	Review completed
		NER 4.8.12	System restart plan and local black system procedures	1	Review ongoing
		NER 7.4.2	Qualifications and registration of Metering Providers	2	Review ongoing
		NER 7.8.4	Changes to metering data	2	Review completed
		NER 8.6.6	Confidentiality policy	1	Review completed

<b>Quarter ending</b>	<b>Industry</b>	<b>Rules &amp; Clause</b>	<b>Description</b>	<b>No. of Participants targeted</b>	<b>Status<sup>27</sup></b>
December 2008	Electricity	NER 2.2.3	Classification of non-scheduled generators	3	Review completed
		NER 2.3.4	Market Customer obligations	9	Review ongoing
		NER 3.7A	Market information on planned network outages	5	Review ongoing
		NER 4.8.12	System restart plan and local black system procedures	1	Review ongoing
		NER 4.9.2A	Dispatch instructions to Scheduled NSPs	1	Review completed
		NER 7.4.2	Qualifications and registration of Metering Providers	2	Review completed