# ATTACHMENT D: Summary of NSCS Review Submissions and AEMO Responses

**Table D1: Summary of Submissions – Scoping Paper and Issues and Options Discussion Paper**

| Stage of Consultation | Area | Stakeholders | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| AER | Energy Response | ESIPC | Grid Australia | Hydro Tasmania | NGF | Powerlink | Transend | TRUenergy |
| Scoping Paper | General |  | ✓ | ✓ |  | ✓ |  |  |  |  |
| Service Definition |  | ✓ | ✓ |  | ✓ |  |  |  | ✓ |
| Market Structure & Barriers to Entry |  | ✓ | ✓ |  |  |  | ✓ |  | ✓ |
| Service Procurement & Cost Recovery |  | ✓ | ✓ |  |  |  | ✓ |  | ✓ |
| Service Deployment |  |  | ✓ |  |  |  |  |  |  |
| Issues and Options Discussion Paper | General |  | ✓ |  |  | ✓ |  |  | ✓ |  |
| Service Definition |  |  |  |  | ✓ | ✓ |  | ✓ | ✓ |
| Service Substitutability |  |  |  |  | ✓ | ✓ |  |  | ✓ |
| Service Procurement |  |  |  | ✓ | ✓ | ✓ |  | ✓ | ✓ |
| Service Cost recovery |  |  |  |  |  | ✓ |  |  | ✓ |
| Service Deployment |  |  |  |  |  | ✓ |  |  |  |
| Barriers to Market Entry |  |  |  |  |  | ✓ |  |  | ✓ |
| Types of NSCS Markets |  |  |  |  | ✓ | ✓ |  |  | ✓ |

**Table D2: Summary of Submissions – Draft Determination and Revised Draft Determination**

| Stage of Consultation | Area | Stakeholders | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| AER | Energy Response | ESIPC | Grid Australia | Hydro Tasmania | NGF | Powerlink | Transend | TRUenergy |
| Draft Determination | General | ✓ |  |  | ✓ |  |  |  |  |  |
| Service Definition | ✓ |  |  |  | ✓ |  |  | ✓ |  |
| Service Substitutability |  |  |  | ✓ |  |  |  |  |  |
| Service Procurement | ✓ |  |  |  |  |  |  |  |  |
| Service Planning | ✓ |  |  |  |  | ✓ |  |  |  |
| Other |  |  |  |  | ✓ |  |  | ✓ |  |
| Revised Draft Determination | General |  |  |  |  | ✓ | ✓ |  |  |  |
| Service Definition |  |  |  |  |  | ✓ |  |  |  |
| Service Substitutability |  | ✓ |  |  |  |  |  |  |  |
| Service Planning & Procurement | ✓ |  |  | ✓ | ✓ | ✓ |  |  |  |
| Service Deployment |  |  |  | ✓ |  |  |  |  |  |
| Service Cost Recovery |  |  |  | ✓ |  |  |  |  |  |

**Table D3: Draft Scoping Paper – Submissions received and NEMMCO responses**

A Draft Scoping Paper was released on 6 March 2008. Five submissions were received in response:

* Four submissions were received and noted in the Final Scoping Paper - from Energy Response, ESIPC, and TRUenergy (4 April 2008), and from Powerlink (9 April 2008)
* A further, late submission was received from Hydro Tasmania (5 June 2008) after publication of Final Scoping paper. While the submission was not noted in the Final Scoping Paper, the issues raised were considered in finalising the scope of the review.

| Stakeholder | Area | Comments | NEMMCO Response in Final Scoping Paper |
| --- | --- | --- | --- |
| **Energy Response** | General | Review should consider the cost of unserved energy to electricity customers | Disagreed.  Issues were specific to Demand-Side Participation in the NEM, which is subject to a separate AEMC review. |
| NEMMCO should report to the AEMC about the effects of large scale customer (demand side) participation on the security of the power system | Disagreed, no change to scope. |
| Review should propose changes to the Rules where needed | Agreed, already in scope of this review. |
| Service Definition | Review should develop new services where scope exists within existing Rules | Agreed, already in scope of this review |
| Review should examine the need to develop an ancillary service which can be used by NEMMCO to pre-emptively shed contracted load to maintain power system security. | Agreed, already in scope of this review |
| Provision should be made for running trials for power system security services. | Disagreed.  The running of large scale trials is likely to be impractical and expensive and is unlikely to deliver clear benefits. |
| Review should re-examine the parameters of the existing services | Agreed – already in scope of this review.  NEMMCO’s previous NCAS procedures review foreshadowed that this review would examine the current NLCAS & RPAS descriptions in light of NCAS submissions received. |
| Review should examine the formulation and development of power system “security services” for use by NEMMCO during normal, abnormal, and emergency conditions. | Agreed – already in scope of this review. |
| Review should examine the provision of pre- and post-contingency support services in order to maximise the contingency capacity reserves that are available to NEMMCO for power system operations | Agreed – already in scope of this review. |
| Review should examine the provision of longer notice periods to call on demand side resources. | Agreed – already in scope of this review. |
| Review should examine the scope within the Rules to either expand the role of NLCAS, or to define new services so that electricity customers, who need longer than seconds to respond, can provide useful services to NEMMCO in both pre- and post –contingency conditions. | Agreed – already in scope of this review. |
| Market Structure & Barriers to Entry | Review should examine requirement that tenderers, for non-market ancillary service, must be a Registered Participant. | Agreed – already in scope of this review. |
| Review should examine overseas practice | Agreed - add to scope of review |
| Service Procurement & Cost Recovery | Review should examine the NSCS procurement responsibilities of NEMMCO and TNSPs | Agreed – already in scope of this review. |
| For the Jan 15, 2007 event, NEMMCO should have contracted customer load so it could have activated this load in advance to reduce the anticipated stress, or have it on standby (risk mitigation). | Disagreed.  This incident relates to a supply reliability issue rather than the provision of NCAS and is beyond the scope of this review. |
| **ESIPC** | General | The Review should have a wider scope to consider expected changes to the power system over the next decade | Agreed, added to the scope of the review. |
| Service Definition | Review should examine the definition of NCAS. | Agreed, added to the scope of the review. |
| Review should consider whether the Rules definition of NCAS and the relevant provisions are too limited or not. | Agreed, added to the scope of the review. |
| New types of ancillary services might also need to be considered including:  \* load following services  \* inertia services; and  \* power system stabilization services.  Consideration of these will need to be linked to customer and generator technical standards. | Disagreed  It is unclear how "load following" is a new service, as most likely already covered by regulation FCAS, unless it is referring to a derivative form of “tie-line bias” control that would allow reduced network operating margins.  Also note that the Rule definition of NCAS includes network control within stability limits. |
| Market Structure & Barriers to Entry | Review should examine existing provisions in the Rules which seek to deliver an efficient mix of network and non-network solutions more generally | Agreed – already in scope of this review |
| Service Procurement & Cost Recovery | The review of procurement responsibilities appears to limit the scope to consideration of NEMMCO or TNSPs.  The review might also address the potential for any parties to propose and provide such services. | Agreed – already in scope of this review.  Note the Rules currently allow third parties to provide NSCS:   * To TNSPs, through non-network alternatives to network augmentation & network support agreements. * To NEMMCO, through NCAS agreements. |
| Review needs to address the way in which the costs are recovered alongside who procures and who deploys. | Agreed – already in scope of this review. |
| Service Deployment | Review should focus particularly on those services that could be economically dispatched by NEMMCO. | Disagreed. No change to scope.  Review should not only focus on areas deployed by NEMMCO, as review is looking at services procured by both NEMMCO and TNSPs. Clearly services procured by TNSPs might have a different deployment arrangement from those procured by NEMMCO. It would therefore be inconsistent to restrict the scope on the basis of deployment. |
| **TRUenergy** | Service Definition | Review of market mechanisms should consider if service definition could be made more outcome focused. | Agreed – already in scope of this review |
| Market Structure & Barriers to Entry | In considering barriers to entry, the scope should be set wide enough to consider the requirements of investors who may be able to invest in plant to provide NSCS. | Agreed – already in scope of this review |
| Service Procurement & Cost Recovery | Review should also consider whether it remains appropriate for reactive power capability required under Generator Performance Standards to be provided without compensation.  All procurement would be done on a common cost benefit basis. | Disagreed. No change to scope.  The question of the appropriate balance of mandatory versus market provision of NSCS is currently the subject of a broader Reliability Panel review of the Technical Standards in the Rules, which includes a review of the minimum and automatic network access standards.  Also, the assertion that reactive power capability is provided “for free” is questionable as such service would essentially add to the marginal cost of production and may be reflected in energy market bids. |
| Review should examine whether NSCS should be wholly procured by NEMMCO, TNSPs or potentially some other party such as the National Transmission Planner (NTP) – that is, review should consider procurement responsibility more broadly than just focusing on boundary issues.  To support this scope increase, references to NEMMCO and TNSPs should be removed from the existing draft scope and replaced with a more generic term such as “service procurer”. | Agreed – already in the scope of this review. |
| **Powerlink** | Market Structure & Barriers to Entry | Item 3 "Barriers to Market Entry of NSCS Providers" goes beyond the requirements of the NSCS review  and should be removed from the proposed scope | Disagreed.  The terms of reference for this review require NEMMCO to “assess potential … market mechanisms for the recruitment & dispatch of NCAS ". |
| Service Procurement & Cost Recovery | Review should only examine the broad level of differences in cost recovery mechanisms between NSPs and NEMMCO | Agreed – already in scope of this review. However this scope was subsequently reduced to a review of NEMMCO’s cost recovery mechanism only. |
| **Hydro Tasmania** | General | Proposes that the review should include review of the scope of service description currently covered under NCAS and the extent to which overlap exists with TNSP obligation to provide network capability through NCS. | Agreed – already in scope of this review. |
| Service Definition | Suggest that in the Tasmanian context, where voltage control / regulation has been shown to play a role in both intra-regional and inter-regional constraints, the NSCS could alleviate such constraints and be activated “automatically”.  Service description should then comprise:   * The levels of reactive power required from each participating generating unit * Participation requirements for automation of generating unit AVR’s | Agreed – already in the scope of this review. |

**Table D4: Issues and Options Discussion Paper - Submissions received and NEMMCO responses**

An Issues and Options Discussion Paper was released on 29 July 2008. Six submissions were received in response, from Energy Response, NGF and Transend (8 September 2008); Grid Australia, Hydro Tasmania, and TRUenergy (9 September 2008).

| Stakeholder | Area | Comments | NEMMCO Response in Draft Determination |
| --- | --- | --- | --- |
| **Energy Response** | General | The issues and options identified in the discussion paper will not materially affect the opportunity for Demand Side Participation in system security management. Demand side Participation can play a greater role in managing power system security provided the market structure is adjusted. The current market structure does not adequately cater for the use of DSP in managing power system security. | Noted  NEMMCO agrees in principle that measures to improve the use of DSP should be investigated, and invited further input on how to improve the current arrangements. To this end NEMMCO is also actively participating in the AEMC‘s DSP review.  The use of DSP for reserve purposes are outside the scope of this NSCS Review. |
| **Hydro Tasmania** | General | Supports a holistic review of NSCS, recommends that scope be broadened beyond reactive power/voltage to accommodate other NSCS that may enhance the value of the spot market e.g. voltage control and inertia.  The connection of large thermal plant in Tasmania is already showing that the loss of the inertia of tripping the largest generating unit could cause too great a change in the FCAS requirements to simply ignore this effect. | Noted  Inertia issues are being considered through other work streams with AEMO’s close involvement, such as a review of emerging inertia issues in Tasmania being chaired by Transend. |
| Service definition | * Definition should as key objective “enhance the value of spot market trading “and perhaps also “deliver a net market benefit”. Concern with ability to quantify benefits under Regulatory Test, suggests a least cost option also be incorporated into criteria endorsed by NTP. * Nationally coordinated planning and market benefits test is appropriate approach. | Agreed.  TNSPs might find it difficult to assess the spot market trading benefits of a particular NSCS option unless the basis for its deployment and delivery of benefits were clearly defined. |
| Service Substitutability | Supports approach of TNSPs being accountable for all aspects of NSCS procurement. Clear accountabilities to remove doubt over service deliver and expand options for service substitutability. | Agreed.  Recommended in Draft Determination. Note that AEMO later reversed this decision and recommended in its Revised Draft Determination to retain and enhance its NSCS procurement role. |
| Service Procurement | Rules framework does not support innovation to deliver more than security as per the Rules. Rules should be clarified and made more transparent. | Noted. |
| Supports the development of the NTP role to ensure efficient national approach and to set criteria for market benefits test (regulatory test) to be applied for various aspects of NSCS. | Noted. |
| Types of NSCS Markets | NSCS could be dispatched as a market service, but believes that more appropriate outcome could be achieved by coordinated regional planning and the exercise of independent market benefits tests. | Agreed.  Included in Final Determination. |
| **NGF** | Service Definition | Supports a broader definition of NSCS. | Agreed  The current NCAS definition should be replaced with a broader, more outcome-focussed definition of NSCS that values service in terms of the objective of maximising the present value of its net economic benefit to the market. NEMMCO believes that an objective to “enhance the value of spot market trading benefit” should not be part of the proposed NSCS definition as such benefits are better captured by the Regulatory Test objective of maximising the present value of net economic benefit to all those who produce, consume and transport electricity in the market. |
| Service Substitutability | Commercial terms on service contracts entered into by NEMMCO and TNSPs with providers of NSCS should ensure exclusivity of service and appropriate penalties for breach of these provisions. | Agreed.  No changes are required to manage service substitutability. |
| Service Procurement | * Notes inconsistency between TNSP planning and NEMMCO planning for reactive power needs. * Standardisation of planning process, including assumptions and criteria to deliver optimal investment. * Procurement should not transfer to TNSPs with NEMMCO being procurer of last resort. | Disagreed.  Draft Determination recommended that AEMO relinquish its NSCS procurement role. Note that AEMO later reversed this decision and recommended in its Revised Draft Determination to retain and enhance its NSCS procurement role. |
| * No issue, in principle, with load shedding schemes being permitted to contract for RPAS. However, disclosure requirements for demand side providers should be equal to those on supply side. | Noted  NEMMCO usually conducts a formal expression of interest/invitation to tender (EOI/ITT) process every three years to procure the quantity of RPAS and NLCAS required from Registered Participants, in accordance with the NCAS Tender Guidelines.  While NEMMCO generally aims to ensure that NCAS contract costs are kept within reasonable economic boundaries by applying benchmarks, there are no regulated prices or payment caps.  Service Providers must provide real-time active and reactive power SCADA measurements to NEMMCO for RPAS and NLCAS to allow verification of service delivery. |
| * Does not believe that TNSPs are in the best position to operate a competitive market in NSCS provision. TNSPs are conflicted in responsibility to transparently consult versus investing in additional network assets. TNSPs also have an information asymmetry giving them an advantage. * TNSPs should be excluded from role of NSCS procurer. * Does not support TNSPs becoming the sole procurer of NSCS. | Disagreed.  Draft Determination recommended that AEMO relinquish its NSCS procurement role. Note that AEMO later reversed this decision and recommended in its Revised Draft Determination to retain and enhance its NSCS procurement role. |
| * Support arrangements where TNSPs responsible for intra-regional reliability and NEMMCO for inter-regional reliability and security. * NLCAS should remain focused on improving inter-regional network transfer capability * Market Customers should continue to pay for NLCAS since the process extracts better utilisation of the network transfer capability by NEMMCO facilitating an arrangement whereby load is shed post a network contingency event to allow a higher transfer capability than that which would be achievable in the absence of the shed load. | Disagreed on first two points.  TNSPs also have an interest in improving the reliability of inter-regional supply. The ability of a TNSP to maintain the reliability of intra-regional supply to its own customers might also be affected by the reliability of inter-regional supply (for example, Tasmania‘s reliance on Basslink imports). NEMMCO has a similar interest to meet overall reliability of supply and hence should procure NLCAS to improve network transfer capability on all national transmission flow paths. |
| Service Deployment | * Cost of the service includes more than the service delivery but also the ongoing maintenance of the asset for the life of the contract. The price for a service will need to reflect all relevant costs and, potentially, risks associated with forecasting usage. | Agreed.  Included in Draft Determination. |
| Service Cost Recovery | * Supports cost recovery from Market Customers on a beneficiary basis. | Agreed.  Included in Draft Determination. |
| Barriers to Market Entry | * NEMMCO may not need to define the service requirements in terms of specific technologies instead service requirements may be defined as the output that is desired. * There may be scope for the consideration of longer tendering timeframes such as 5 years. |  |
| Has serious concerns with TNSP participation in NCAS tenders including:   * Potential conflict of interest as TNSPs could use network assets which have already been paid through a regulated rate of return as a means to tender for unregulated NCAS payments; * Doubts that ring-fencing arrangements would resolve the conflict of interest problem; * TNSPs may have a strong incentive to under-report the level of NCAS capability available to maximise the level of NCAS that NEMMCO need to procure in the tender process; * Confidentiality issues may arise as TNSPs have information from their own NSCS procurement process which could be utilised to give the TNSP a competitive advantage if it were to tender for NEMMCO NCAS contracts. | Acknowledged the potential risks, and the Draft Determination proposed that NEMMCO relinquish its NSCS procurement role to TNSPs as they are the most appropriate and logical choice for procurer of all NSCS, rather than NEMMCO.  However this decision was later reversed after further consideration was given to the NTP role. |
| Types of NSCS Markets | Limited value in examining real-time co-optimisation of reaction power dispatch with energy and FCAS markets given relatively smaller size of the NCAS market and the physical limitation of a NCAS product which can only be utilised within a confined location, the NGF sees limited value in further examining real-time co-optimisation of reactive power dispatch with energy and FCAS markets. | Agreed.  Included in Draft Determination |
| **Transend** | General | * There is scope to broaden the NSCS review to include system inertia issues and Reactive Power Ancillary Services issues. | Noted  Inertia issues are being considered through other work streams with AEMO’s close involvement, such as a review of emerging inertia issues in Tasmania being chaired by Transend. |
| Service Definition | * NSCS arrangements will need to be sufficiently robust to allow the application of innovative solutions to emerging issues with operation of small power systems with diversifying generation types. * There are innovative solutions for RPAS that may have potential. | Agreed.  The current NCAS definition should be replaced with a broader, more outcome-focussed definition of NSCS that values service in terms of the objective of maximising the present value of its net economic benefit to the market |
| Service Procurement | * Supports single point of accountability with TNSP for procurement. | Agreed  This approach was recommended in Draft Determination. Note that AEMO later reversed this decision and recommended in its Revised Draft Determination to retain and enhance its NSCS procurement role. |
| **Grid Australia** | Service Procurement | * NSCS provided by TNSPs and NEMMCO are difficult to distinguish between, duplication and uncertainty of current process should be removed. * Single point of accountability for maximising power transfer capability. | Agreed  This approach was recommended in the Draft Determination.  Note that AEMO later reversed this decision and recommended in its Revised Draft Determination to retain and enhance its NSCS procurement role. |
| * Notes that incentives are either in place or being developed for the TNSP to meet reliability standards in the most efficient manner. | Noted  NEMMCO agrees that TNSPs may not be not adequately incentivized to pursue NSCS options that increase power transfer capability and deliver net market benefits unless they can control the relevant power transfer enhancement variables. However NEMMCO accepts Grid Australia’s view that at this stage the current ex-ante capital expenditure framework coupled with existing incentives schemes should provide sufficient incentives. |
| **TRUenergy** | Service Definition | Supports a broader more outcome focussed definition that increases network transfer to enhance value of spot market trading and has close parallels to the RIT-T outcomes | Agreed.  The current NCAS definition should be replaced with a broader, more outcome-focussed definition of NSCS that values service in terms of the objective of maximising the present value of its net economic benefit to the market |
| Service Substitutability | Regulatory intervention for NSCS is not necessary as contract arrangements should ensure service providers do not double recover costs. | Agreed.  No changes are required to manage service substitutability. |
| Service Procurement | Support for TNSPs being responsible for procurement of all NSCS. Any conflicts should be dealt with through the Regulatory Investment Test. | Agreed.  Recommended in Draft Determination. Note that AEMO later reversed this decision and recommended in its Revised Draft Determination to retain and enhance its NSCS procurement role. |
| Service Cost Recovery | * In the event that NEMMCO maintains its role in NSCS procurement, costs incurred by NEMMCO should be recovered from the beneficiaries of the service. * Notes that customers in one jurisdiction may contribute to the costs of an augmentation that delivers market benefits to customers in another jurisdiction. However, investments undertaken under the market benefits limb of the regulatory test are justified on economic grounds. | Noted.  NEMMCO agreed in principle, but no change recommended pending TNSPs taking over the procurement function, which would have the same effect. |
| Barriers to Market Entry | Barriers may include:   * the absence of information for participants investing in NSCS, particularly from TNSPs; * long term contracts for provision of services; and * bias towards regulated solutions.   Tendering process for periods of 2 to 3 years is too short to effectively underwrite new investments. | Noted  NEMMCO acknowledged that there are some issues concerning TNSPs role in procuring NSCS, but reiterated that TNSPs were best placed to procure all NSCS. |
| Types of NSCS Markets | The use of bilateral contracts to secure NSCS is appropriate. Doubtful whether a competitive spot market would develop. | Agreed. |

**Table D5: Draft Determination and Report - Submissions received and AEMO responses**

A Draft Determination and Report was released on 25 Novembers 2008. Five submissions were received in response, from the AER, Hydro Tasmania, Transend, Grid Australia and the NGF (16 February 2009).

| Stakeholder | Area | Comments | AEMO Response in Revised Draft Determination |
| --- | --- | --- | --- |
| **AER** | General | * Comments that several other reviews which are currently taking place could raise a number of issues which are directly relevant to NEMMCO’s review of NSCS. Suggested NEMMCO (now AEMO) reconsider the timing of the Review given (at that time) the impending commencement of AEMO and its NTP role and the implications of other reviews underway such as the AEMC’s reviews of Energy market Frameworks in the light of Climate Change Policies and the role of demand side management. | Noted.  AEMO postponed the NSCS Review in May and recommenced the review after AEMO’s formal commencement. |
| * Emphasised the need to monitor and if necessary address power system instability issues that may emerge with the increasing penetration of low inertia wind generation in the NEM, noted that NEMMCO was the appropriate body to review this. Commented that neither NEMMCO nor the AEMC (through their climate change review) are addressing these issues in any significant detail. | Noted.  AEMO confirms that while the AEMC is not covering this issue in its Review of Energy market Frameworks in light of Climate Change Policies, it is being considered through other work streams with AEMO’s close involvement, such as a review of emerging inertia issues in Tasmania being chaired by Transend. |
| * Does not support NEMMCO’s criticism that the current NCAS definition is deficient because it does not quantify the extent that spot market trade should be enhanced. There is no need for the definition to explicitly quantify how large the benefit to spot market trade needs to be—only that there is a benefit. While the AER notes that there may be some scope to improve the existing NCAS definition, the proposed amendments are not an improvement on the current arrangements and do not capture the different objectives of NSS and NCAS | Disagreed.  The current NCAS definition should be replaced with a broader, more outcome-focussed definition of NSCS that values service in terms of the objective of maximising the present value of its net economic benefit to the market |
| Service Definition | * Disagreed with the proposed service definition because: * the replacement of the spot market trading objective with the RIT-T concept of net market benefit would weaken the originally intended objective of this service, as expressed by the ACCC in its 2002 determination; * it blurred the distinction between NCAS procured by NEMMCO and NSS procured by TNSPs, and did not capture the different objectives of these services; and * the long term nature of the net market benefits test meant that it would be difficult to apply to the objective of enhancing the value of spot market trade. | Disagreed.  The objective should relate to all the benefits arising from the provision of a service, including electricity consumer benefits in deferring the cost of network augmentations (which should translate into reduced network charges) as well as the spot market trading benefits (which should translate into reduced energy charges). Noting that the spot market trading objective set out in clause 3.11.4(b) of the Rules related to the decision to deploy the services within central dispatch and not to the wider decision to invest in the service. |
| Service Procurement | Concerned whether TNSPs had appropriate incentives in place to co-ordinate the planning and procurement of all NSCS efficiently on a NEM wide basis since:   * TNSPs lack incentives to make efficient trade-offs between alternative options for procuring reactive power ancillary services (RPAS) * TNSPs lack incentives to procure an efficient level of NCAS and NSS. * TNSPs lack of incentives to procure an efficient service including non-network alternatives. * Suggests that NEMMCOs proposed amendments do not create incentives for TNSPs to procure NCAS and NSS efficiently, that the RIT-T will not be sufficient to overcome these concerns and that * NEMMCO should retain the ability to impose minimum technical standards. | Noted.  Review concluded that no change to TNSPs procurement of NSCS but that AEMO would maintain a role in procuring NSCS where TNSPs fail to take action.  In regards to minimum technical ancillary service standards, AEMO does not believe that it would be good regulatory practice for AEMO to be able to impose additional performance standards on new Generators “at will”. AEMO considers that it would be better to address any future technology issues through periodic review by the Reliability Panel of the technical standards in the Rules for network connection, well in advance of those issues becoming material. |
| Service Planning | * Vital for a well informed, nationally-focussed and financially disinterested party planning the use of NCAS across all regions. * While TNSPs are very knowledgeable concerning their own networks, they have little stake in market outcomes and therefore are not well placed to assess the overall need for NCAS. | Agreed.  Review concluded that AEMO should have a role in planning for NSCS through the NTNDP process. |
| **TRUenergy** | Alternative market structures | Not appropriate for NSCS to be dispatched as a market service. | Agreed.  NEMMCO does not consider that the added cost of market dispatch would be worthwhile. |
| **Grid Australia** | General | * General support for the Draft Determination. | Noted. |
| * Disagrees with NEMMCOs finding that system inertia not be dealt with in this review. Suggests these issues should be addressed. | Noted.  As per comment above in relation to AER’s similar concern, AEMO noted that system inertia issues are being dealt with through other forums. |
| Service Substitutability | * Is not so concerned with “double-dipping” by TNSPs in the provision of capacity reserves but suggests that full disclosure by service providers of arrangements they have in place that could reasonably affect the provision of the required transmission network support services. Suggests mandate to ensure that TNSPs are advised of other arrangements the service provider has entered into. | Noted.  AEMO’s proposes to address this issue in its NMAS Tendering Guidelines. |
| **Hydro Tasmania** | Service Definition | Supported the proposed service definition and noted that considering the NSCS under the net market benefit objective in clause 5.6.5B(b) of the Rules would remove ambiguity around the classification of service. | Noted. |
| Alternative market structures | Not appropriate for NSCS to be dispatched as a market service. | Agreed.  AEMO does not consider that the added cost of market dispatch would be worthwhile. |
| **NGF** | Service Planning | Disagrees with the proposal of TNSPs being responsible for procurement of all NCAS, preferring market based arrangements. | Disagreed.  In its Draft Determination AEMO considered that TNSPs were better placed to procure NSCS.  Note review concluded that AEMO should retain a planning and procurement role. |
| Service Procurement | Supports retaining current cost recovery mechanisms | Noted.  AEMO proposes to modify the existing approach to cost recovery to ensure that those benefiting from the services pay for them. |
| Barriers to market entry | Concerned that TNSP procurement of NSCS presents significant barriers to entry in terms of conflicts of interest and information asymmetry. | Disagreed.  AEMO considers that there are appropriate checks and balances in place to prevent TNSPs taking advantage of their position. |
| Service requirements should be defined broadly in terms of desired output to allow different technologies to participate. | Agreed. |
| Alternative market structures | Does not consider that there is a need for real-time dispatch of reactive power. | Agreed.  AEMO does not consider that the extra complexity this would introduce is warranted. |
| Service Substitutability | Issues of service exclusivity should be dealt in the contract terms and conditions. | Agreed. |
| **Transend** | Service Definition | Recommends that system inertia be included within the definition of NSCS and that NEMMCO pursue mechanisms to manage low inertia scenarios. | Noted.  Low inertia scenarios are being addressed through other forums, notably the Tasmanian Inertia Issues Working Group. |
| Service Procurement | Supports the increase in TNSPs responsibility for procuring NCAS. | Agreed.  This approach was recommended in the Draft Determination.  Note that AEMO later reversed this decision and recommended in its Revised Draft Determination to retain and enhance its NSCS procurement role. |
| Other | In relation to the two protection schemes for Basslink, questions whether it is NEMMCO’s view that the System Protection Schemes would constitute NSCS, the costs of which would be recovered from all customers under TUOS charges as a prescribed service? | This question was not addressed in the Revised Draft Determination. However based on the information presented and following further discussion with Transend, AEMO considered that a System Protection Scheme that increases network transfer capability would be a candidate for an NSCS and eligible for classification as a prescribed transmission service unless acquired by AEMO itself. |

**Table D6: Revised Draft Determination and Report - Submissions received and AEMO responses**

Following the release of the Draft Determination and Report, NEMMCO announced delays to the completion of the review to allow time for the role of the National Transmission Planner and issues raised in submissions to be more fully explored. In August 2009, AEMO resumed the review and on 12 October 2009 released a Revised Draft Determination and Report. The Revised Draft Determination was considered necessary as further considerations of issues lead to a significant change in view on several key issues in the review.

Five submissions were received in response to the Revised Draft from the AER (4 November 2009), and the NGF, Grid Australia, Energy Response, Hydro Tasmania (6 November 2009).

| Stakeholder | Area | Comments | AEMO Response in Final Determination |
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| **AER** | Service Definition | Concerned that replacing the spot market trading objective with the net market benefits objective will raise implementation issues | Agreed.  AEMO will seek to work through these issues with the AER. |
| Service Planning & Procurement | * Supports AEMO’s proposed role: * Of identifying NSCS requirements through national transmission planning function. * As safety net procurer of NSCS when these services are not procured by TNSPs. * Supports the revised tender process being open to TNSPs. * Supports the proposed cost recovery through beneficiary principle. | Agreed.  Final Determination reflects these views. |
| **Energy Response** | Service Substitutability | Supports removal of limitations of who can provide NSCS. | Noted. |
| Concerned that the design of the new NSCS does not cater for the dynamism of the power system. Recommends that AEMO continue to develop new NSCS options that cater for unplanned power system security needs. | Disagreed.  AEMO considers that proposed arrangements are appropriate to cover credible system security needs. |
| **Grid Australia** | Service Planning & Procurement | Concerned that AEMO will retain direct role in planning and procurement of NSCS. Since NSCS are essentially a prescribed service, procurement of these services is an investment decision for TNSPs. The RIT-T allows TNSPs to capture the benefits of such an investment.  MCE’s policy intention in developing the NTNDP was that it should not override TNSPs investment decisions, is not binding and does not replace regional transmission planning.  Noted there were two “last resort” frameworks; one for the broader transmission network (AEMC’s LRPP) and one only for NSCS (AEMO’s process). | Disagreed.  While NSCS procured by TNSPs falls with the Rules definition of a prescribed transmission service, AEMO considered that this does not apply to AEMO’s procurement of NSCS from TNSPs and this would fall under the definition of a non-regulated transmission service.  AEMO is responsible for meeting power system security requirements and so it is important for the Rules to provide AEMO with a last resort procurement role to address potential issues.  The differences in the “last resort” frameworks reflect these obligations on AEMO. |
| Service Deployment | * Notes that TNSPs will dispatch NSCS procured by TNSPs while providing information to AEMO to represent in dispatch systems. * Information required should be of a general nature (rather than being too prescriptive) noting that requirements will vary depending on circumstance. | Noted.  AEMO and TNSPs to work together to agree suitable Rule wording that achieves respective parties needs. |
| Service Cost Recovery | If AEMO retains the NSCS planning and procurement role as proposed in the Revised Draft Determination, then if any NCAS costs are to be recovered regionally from TNSPs through transmission charges, the Rules will need to clearly provide that all of these costs can be directly passed-through to its network customers with no threshold for materiality | Agreed.  TNSPs should be permitted to automatically pass through all such costs to Market Customers in the relevant beneficiary regions. |
| Service Definition | Proposal does not deal with the treatment of NSCS as prescribed transmission services. | Agreed.  AEMO will consider if changes are necessary to accommodate non-regulated status of NSCS assets provided by TNSPs. |
| **Hydro Tasmania** | General | * Broad agreement to revised approach. * Supports the view that current service definitions limit the range of services and are inclined to favour standard/classical technology and methods for achieving the implied requirements of the service definitions. * Supports the proposed improvement to the provision of information from TNSP.s in relation to deployment of their network support services as a means of improving accuracy of central dispatch | Noted. |
| * Reiterates earlier view that inertia could be treated as an NSCS. | Noted.  AEMC’s Final Report on the Review of Energy Market Frameworks in light of Climate Change Policies recommended AEMO continue to participate in the investigation into inertia requirements in Tasmania, and that AEMO co-ordinate a similar review for South Australia and any other region that might have inertia concerns, before any consideration of specific Rule changes.  AEMO confirms that the Tasmanian inertia review in which it is participating should address the concerns raised by Hydro Tasmania. |
| Service Planning & Procurement | Supports revised approach as allows for greater horizon and greater objective long-term planning. | Noted. |
| * Support the view that both forms of NSCS should be valued in terms of their net market benefits. * Support beneficiaries paying costs where they can be identified. | Agreed.  Further clarity on the application of net market benefits consistent with RIT-T objective. |
| **NGF** | General | * Disappointed that to date AEMO has not provided any commitment on an inertia support review of mainland Australia. * Supports the recommendation to remove the redundant Clause 3.11.3(b)(1) that imposes a set of minimum technical ancillary standards which then requires a TNSP to enter into ancillary services agreements with a Registered Participant to meet those standards. | Noted.  The AEMC’s Final Report on the Review of Energy Market Frameworks in light of Climate Change Policies recommended AEMO continue to participate in the investigation into inertia requirements in Tasmania, and that AEMO co-ordinate a similar review for South Australia and any other region that might have inertia concerns, before any consideration of specific Rule changes. AEMO confirms that the Tasmanian inertia review in which it is participating should address the concerns raised by Hydro Tasmania. |
| Service Definition | Reservations with the new service definition and the application of the RIT-T to assess benefits instead of benefits to spot market trade.  Considers that the proposed changes may result in a fundamental change to the type and quantity of NSCS procured, and may create a bias toward network investment over non-network options, thereby perversely reducing competition and decreasing overall market efficiency. | Noted.  AEMO’s process for assessing tenders will be set out in its NMAS Tendering Guidelines. |
| Service Planning & Procurement | Assessment of tenders should consider the uncertainty of tenderers income. | Disagreed.  AEMO considers that tenderers are best placed to consider the extent of their risks when preparing their tender offer |
| Concern at ability to ensure competitive neutrality through tender process, TNSP double dipping and transparency in tender evaluation. | Noted.   * AEMO will revise the NSCS Tendering Guidelines and seek to assess tenders on a level playing field, including removing the option for assets to later be used in a regulated asset base. * AEMO proposes to publish sufficient details of contracts so that the AER can identify assets used for NSCS and exclude them from the TNSPs regulated asset base. |
| Concerned that TNSPs will avoid making efficient regulated investments in favour of providing more lucrative unregulated services to AEMO | Noted.  AEMO considers that the introduction of greater competition will lead to more efficient service delivery. |
| Concerned with proposal to allow TNSPs to automatically roll NSCS assets into their regulated asset base at contract end will distort competitive neutrality | Agreed – proposal dismissed in the Final Determination. |
| Concerned that TNSPs’ access to generator information as a result of connection agreements will give them a competitive advantage. | Noted.  AEMO considers the risk is small and that TNSPs are exposed to a similar risk as a result of public consultation as part of the RIT-T. |
| Mandatory provision of NSCS in the Rules should be removed, and instead AEMO focuses on the procurement of NSCS to meet system security and reliability requirements, and/or enhance the value of spot market trade. | Disagreed.  AEMO does not consider that abandoning mandatory provision of NSCS is practical and notes that this issue will be considered by the Reliability Panel in its review of technical standards. |