National Electricity Amendment (Revision of Dispatch Pricing Due to Manifestly Incorrect Inputs) Rule 2006 No. 1

under the National Electricity Law as applied by:

(a)   the National Electricity (South Australia) Act 1996; and
(b)   the Electricity (National Scheme) Act 1997 of the Australian Capital Territory; and
(c)   the National Electricity (New South Wales) Act 1997 of New South Wales; and
(d)   the Electricity - National Scheme (Queensland) Act 1997 of Queensland; and
(e)   the Electricity - National Scheme (Tasmania) Act 1999 of Tasmania; and
(f)   the National Electricity (Victoria) Act 1997 of Victoria; and
(g)   the Australian Energy Market Act 2004 of the Commonwealth.

The Australian Energy Market Commission makes the following Rule under the National Electricity Law.

John Tamblyn
Chairman
Australian Energy Market Commission

National Electricity Amendment (Revision of Dispatch Pricing due to Manifestly Incorrect Inputs) Rule 2006 No. 1

1.   Title of Rule

This Rule is the *National Electricity Amendment (Revision of Dispatch Pricing Due to Manifestly Incorrect Inputs) Rule 2006 No. 1.*

2.   Commencement

This Rule commences operation on 1 June 2006.

3.   Amendment of the National Electricity Rules

The National Electricity Rules are amended as set out in Schedule 1.

Schedule 1   Amendment of National Electricity Rules

[1]   Clause 3.8.24

Omit clause 3.8.24 and substitute:

3.8.24 Scheduling errors

(a)   A scheduling error is any one of the following circumstances:

   (1)   the *dispute resolution panel* determines under clause 8.2 that *NEMMCO* has failed to follow the *central dispatch* process set out in this clause 3.8; or

   (2)   *NEMMCO* declares that it failed to follow the *central dispatch* process set out in this clause 3.8; or

   (3)   *NEMMCO* determines under clause 3.9.2B(d) that a *dispatch interval* contained a manifestly incorrect input.

(b)   Spot prices and market ancillary service prices will not be adjusted due to the occurrence of a scheduling error except where the scheduling error arises through the application of clause 3.9.2B.

[2]   Clause 3.9.2B

After clause 3.9.2A insert:

3.9.2B Pricing where NEMMCO determines a manifestly incorrect input

(a)   For the purposes of this clause:

"Input" means any value that is used by the *dispatch algorithm* including measurements of *power system* status, five minute demand forecast values, constraint equations entered by *NEMMCO,* or software setup but not including *dispatch bids* and *dispatch offers* submitted by *Registered Participants*.

"Last correct *dispatch interval*" means the most recent *dispatch interval* preceding the affected *dispatch interval* that is not itself an affected *dispatch interval*.

(b)   *NEMMCO* may apply the automated procedures developed in accordance with clause 3.9.2B(h), to identify a *dispatch interval* as subject to review ("a *dispatch interval* subject to review").

(c)   *NEMMCO* may also determine that a *dispatch interval* is subject to review if *NEMMCO* considers that it is likely to be subject to a manifestly incorrect input, but only where the *dispatch interval* immediately preceding it was a *dispatch interval* subject to review.

(d) *NEMMCO* must determine whether a *dispatch interval* subject to review contained a manifestly incorrect input to the *dispatch algorithm* ("an affected *dispatch interval*).

(e) Where *NEMMCO* determines an affected *dispatch interval*, *NEMMCO* must:

    (1) replace all *dispatch prices* and *market ancillary services* prices with the corresponding prices for the last correct *dispatch interval*; and

    (2) recalculate, in accordance with clause 3.9.2(h), and adjust all *spot prices* relevant to each affected *dispatch interval*.

(f) *NEMMCO* may only carry out the action described in clause 3.9.2B(e) if no more than 30 minutes have elapsed since the publication of the *dispatch prices* for the *dispatch interval* subject to review.

(g) As soon as reasonably practicable after the action as described in clause 3.9.2B(e), *NEMMCO* must publish a report outlining:

    (1) The reasons for the determination under clause 3.9.2B(d);

    (2) Whether that determination was correct;

    (3) What action will be taken to minimise the risk of a similar event in future.

(h) *NEMMCO* must, in consultation with *Registered Participants*, develop procedures for the automatic identification of *dispatch intervals* subject to review under clause 3.9.2B (b) (the "automated procedures").

(i) The purpose of the automated procedures is to detect instances where manifestly incorrect inputs may have resulted in material differences in pricing outcomes.

(j) The automated procedures must be designed to a performance standard, so that at least the majority of *dispatch intervals* subject to review are found either to:

    (1) have had manifestly incorrect inputs; or

    (2) be the result of the *dispatch algorithm* being run with correct inputs immediately after being run with manifestly incorrect inputs.

(k) At least once each calendar year, *NEMMCO* must review the effectiveness of the automated procedures having regard to the performance standard referred to in clause 3.9.2B(j).

(l) *NEMMCO* must report on the findings of the review under clause 3.9.2B (k) and must include in that report details of all *dispatch intervals* subject to review that were not affected *dispatch intervals* and an analysis of why such intervals were identified as subject to review.

(m) If the report demonstrates that the automated procedures have not achieved the performance standards under clause 3.9.2B(j), then *NEMMCO* must carry out a review of the automated procedures, in

consultation with *Registered Participants*, and where appropriate, amend the automated procedures.

[3]   Clause 3.16.2

Omit clause 3.16.2 and substitute:

3.16.2   Dispute resolution panel to determine compensation

(a)   Where a *scheduling error* occurs, a *Market Participant* may apply to the *dispute resolution panel* for a determination as to compensation under this clause 3.16.2.

(b)   Where a *scheduling error* occurs, the *dispute resolution panel* may determine that compensation is payable to *Market Participants* and the amount of any such compensation payable from the *Participant compensation fund*.

(c)   A determination by the *dispute resolution panel* as to compensation must be consistent with this clause 3.16.2.

(d)   A *Scheduled Generator* who receives an instruction in respect of a *scheduled generating unit* to operate at a lower level than the level at which it would have been instructed to operate had the *scheduling error* not occurred, will be entitled to receive in compensation an amount determined by the *dispute resolution panel*.

(e)   A *Scheduled Network Service Provider* who receives an instruction in respect of its *scheduled network services* to transfer less *power* on the *scheduled network service* than it would have been instructed to transfer had the *scheduling error* not occurred, will be entitled to receive in compensation an amount determined by the *dispute resolution panel*.

(f)   A *Scheduled Generator* who receives a *dispatch instruction* in respect of a *scheduled generating unit* to operate at a level consistent with a *dispatch offer price* (with reference to the relevant *regional reference node)* which is higher than the *dispatch price*, due to the operation of clause 3.9.2B, is entitled to receive in compensation an amount determined by the *dispatch resolution panel.*

(g)   A *Scheduled Network Service Provider* who receives an instruction in respect of its *scheduled network services* to transfer *power* on the *scheduled network service* consistent with a *network dispatch offer price* but receives less net revenue than would be expected under clause 3.8.6A(f) due to adjustment of the *spot price* for a trading interval under clause 3.9.2B, is entitled to receive in compensation an amount determined by the *dispute resolution panel.*

(h)   In determining the level of compensation to which *Market Participants* are entitled in relation to a *scheduling error*, the *dispute resolution panel* must:

(1) Where the entitlement to compensation arises under clause 3.16.2(f), determine compensation on the basis of the actual loading level and not the *dispatch instruction* applicable to the relevant *scheduled generating unit* for that *dispatch interval;*

(2) Where the entitlement to compensation arises under clause 3.16.2(g), determine compensation on the basis of the actual loading level and not the *dispatch instruction* applicable to the relevant *scheduled network service* for that *dispatch interval;*

(3) Use the *spot price* as determined under clause 3.9, including any *spot prices* that have been adjusted in accordance with clause 3.9.2B;

(4) Take into account the current balance of the *Participant compensation fund* and the potential for further liabilities to arise during the year;

(5) Recognise that the aggregate liability in any year in respect of *scheduling errors* cannot exceed the balance of the *Participant compensation fund* that would have been available at the end of that year if no compensation payments for *scheduling errors* had been made during that year.

(i) The manner and timing of payments from the *Participant compensation fund* are to be determined by the *dispute resolution panel*.

(j) To the maximum extent permitted by law, *NEMMCO* is not liable in respect of a *scheduling error* except out of the *Participant compensation fund* as contemplated in this clause 3.16.2.

[4] Chapter 10 Glossary

In Chapter 10, omit the definition of *scheduling error* and substitute.

Scheduling error means any of the events described in clause 3.8.24(a).

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