

DIRECTIONS AND CLAUSE 4.8.9 INSTRUCTIONS

ISSUES PAPER

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EXECUTIVE SUMMARY

The publication of this Issues Paper commences the first stage of the Rules consultation process conducted by AEMO to consider amendments to the procedures currently titled 'Intervention, Direction and Clause 4.8.9 Instructions (SO_OP_3707)'. AEMO is required to make procedures for the issue of directions under clause 4.8.9(b) of the National Electricity Rules (NER).

AEMO is proposing to rename and substantially rewrite the Procedures. In summary, the key proposals for change result from AEMO identifying a need to:

- Specify the requirement to adjust the maximum availability of directed scheduled plant reflect the directed quantity of energy.
- Expand the content of the Procedures to provide a more detailed description of the process AEMO goes through before and after issuing a direction, showing how these steps tie in with relevant NER requirements.
- Ensure all the guiding principles for the Procedures are explicitly covered.
- Clarify the difference between directions and clause 4.8.9 instructions, and how the Procedures apply to each category.

AEMO invites stakeholders to suggest alternative options where they do not agree that AEMO's proposals would achieve the relevant objectives.

AEMO also asks stakeholders to identify any unintended adverse consequences of the proposed changes.

Stakeholders are invited to submit written responses on the issues and questions identified in this paper by 5.00 pm (Melbourne time) on 5th June 2019, in accordance with the Notice of First Stage of Consultation published with this paper.



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1. STAKEHOLDER CONSULTATION PROCESS

As required by the NER, AEMO is consulting on proposed amendments to the procedures for the issue of directions and clause 4.8.9 instructions (SO_OP_3707) (Procedures), in accordance with the Rules consultation process in rule 8.9.

AEMO's indicative timeline for this consultation is outlined below. Future dates may be adjusted depending on the number and complexity of issues raised in submissions and any meetings with stakeholders.

Deliverable	Indicative date
Issues Paper published	18/04/2019
Submissions due on Issues Paper	5/06/2019
Draft Report published	4/07/2019
Submissions due on Draft Report	25/07/2019
Final Report published	6/09/2019

Prior to the submissions due date, stakeholders can request a meeting with AEMO to discuss the issues and proposed changes raised in this Issues Paper.

2. BACKGROUND

2.1. NER requirements

Clause 4.8.9(b) of the NER requires AEMO to develop procedures for the issuance of *directions*, which may be amended from time to time.

The Procedures must reflect the following principles:

1. AEMO must use its reasonable endeavours to minimise any cost related to directions and compensation to Affected Participants, Market Customers and Directed Participants.
2. A direction should be revoked as soon as AEMO determines that the direction is no longer required.
3. AEMO must take into account any applicable guidelines issued by the Reliability Panel.
4. AEMO must observe its obligations under clause 4.3.2 concerning sensitive loads.
5. AEMO must expressly notify a Directed Participant that AEMO's requirement or that of another person authorised by AEMO pursuant to clause 4.8.9(a) is a direction.

Amendments to the Procedures are to be consulted on in accordance with the Rules consultation procedures set out in rule 8.9.

2.2. Context for this consultation

Since late 2016, the number of directions issued by AEMO has significantly increased, especially for power system security (system strength) requirements within South Australia. This has increased the need for greater clarity and information in the Procedures.

As noted by the AER in its December 2018 compliance report on the South Australian black system event of September 2016, the Procedures do not explicitly address one of the underlying principles set out in clause 4.8.9(b) of the NER, namely that the costs of a direction should be minimised. AEMO has also identified that the Procedures described a number of processes that are adequately addressed in the NER,



but provide limited detail on the process of determining a direction or clause 4.8.9 instruction, and the difference between them.

AEMO is therefore proposing to substantially rewrite the Procedures. The proposed amendments are summarised in Section 3 below.

3. PROPOSED AMENDMENTS

This section provides a summary of AEMO's proposed amendments to the Procedures .

3.1. Maximum availability during directions

AEMO identified that not all generators were aware of the need to rebid their availability once AEMO has issued them with a direction, so that the maximum availability of the directed units reflects the directed quantity of energy or ancillary services.

This step is necessary to create consistency with participant bid parameters during directions and for AEMO's NEM dispatch engine (NEMDE) to identify with key constraint violation penalty (CVP) values that prioritise the direction.

To make this clear, AEMO proposes to include a requirement in the Procedures for market participants to submit or vary their dispatch offers or bids for scheduled plant once directed, so that the maximum bid availability of energy or ancillary services is equal to the relevant directed quantity for the duration of the direction.

3.2. Expansion of content

The current Procedures restate some NER processes and requirements, but with little detail of the steps AEMO takes in relation to each requirement. AEMO proposes to revise and expand the content of the Procedures to provide a more detailed description of the process AEMO follows before and after issuing a direction, showing how these steps tie in with relevant NER requirements. AEMO considers that additional detail will help to set participants' expectations and understanding of the information AEMO may request from them, and how that information is used.

AEMO proposes to remove the existing section on intervention pricing, as the rules comprehensively cover the circumstances in which AEMO is required to apply intervention pricing.

3.3. Reflect principle of minimising costs

Section 5(3) of the current Procedures indicates that AEMO will aim to minimise the effect on interconnector flows and minimise the number of Affected Participants. In doing this, the expected objective would be to minimise the cost of the direction, consistent with the principle in clause 4.8.9(b)(1) of the NER that AEMO must use reasonable endeavours to minimise the costs relating to directions and associated compensation payments. However, AEMO recognises that the Procedures do not address this principle explicitly.

AEMO proposes to include in the Procedures a more comprehensive description of the factors AEMO considers with a view to minimising costs and compensation amounts, where possible.

3.4. Clarify difference between directions and clause 4.8.9 instructions

Under clause 4.8.9(b) of the NER, the Procedures are only required to provide for the issue of *directions* (as defined in the NER). However, the existing Procedures also address *clause 4.8.9 instructions*.



AEMO considers it is helpful for the Procedures to continue to reference clause 4.8.9 instructions. However, it is necessary to clarify the difference between the two categories of direction, and to identify the processes and requirements that apply to each of them.

3.5. AEMO proposes to include in the Procedures an explanation of the difference between *directions* and *clause 4.8.9 instructions*. Further amendments are proposed to the substantive provisions of the Procedures to identify whether they apply to directions, clause 4.8.9 instructions, or both. Administrative changes

AEMO proposes to update the format for amended Procedures, resulting in changed numbering, layout and introductory provisions. These changes are only administrative and have not been marked on the draft that accompanies this Issues Paper.

4. DRAFTING FOR PROPOSED CHANGES

To help stakeholders and other interested parties respond to this Issues Paper, AEMO has published a revised draft of SO_OP_3707 Procedures for Issue of Directions and Clause 4.8.9 Instructions, incorporating the changes AEMO proposes for consultation. A change-marked version is available at:

<https://aemo.com.au/Stakeholder-Consultation/Consultations/Procedures-For-Directions-And-Instructions>