

16 December 2011

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Dear Ms Moynihan

Wivenhoe Power Station - Splityard Creek Dam

Thank you for your letter dated 13 December 2011.

We confirm that AEMO has two powers to direct, which are found in the National Electricity Rules (Rules) and the National Electricity Law (NEL). The first power is clause 4.8.9 of the Rules, which entitles AEMO to issue a direction to maintain or re-establish the power system to a secure, satisfactory or reliable operating state. This is the power that is generally exercised. The second power is an instruction under section 116 of the NEL whereby AEMO may authorise a person to do certain things if AEMO is satisfied that it is necessary to do so for reasons of public safety or the security of the electricity power supply.

Depending on the circumstances compensation may be payable to a generator required to respond to a direction.

In relation to the matters raised in your letter, we provide the following comments:

- a) The high level process taken by AEMO in making a direction are set out in an operating procedure titled "Intervention, Direction and Clause 4.8.9 instruction". A copy of the procedure is attached your information.

Directions could be issued to help manage the power system or to prevent the shedding of load from the system (i.e. interruption of supply to customers). In determining whether a direction should be issued or not AEMO considers the state of the power system at that time taking into account various factors including the level of demand and the availability of generation to meet that demand both locally and via interconnectors with other states.

- b) Under the Rules, there are qualifications to the power to direct in that a generator is not required to respond to a direction if, in their reasonable opinion, there is a hazard to public safety, materially risks damaging equipment or could contravene any other law.

If a direction power was conferred on Seqwater for the purposes of preventing the operation of the Wivenhoe Power Station during flood conditions, we would expect that this would have priority to any direction under the Rules on the ground of either hazard to public safety or the need to comply with legislative requirements. Accordingly, we do not see any direct conflict between the powers.

- c) AEMO does not have an objection to the Commission recommending that Seqwater be given the power to direct the operator of the Wivenhoe Power Station not to operate the plant. However, we draw your attention to the following:

- It should be noted that there is always the potential risk that the inability to direct Wivenhoe Power Station to maintain system reliability could lead to load shedding.

Whether such an event will arise will depend on the circumstances at the time including the demand on the system and the availability of other generation.

- The governments of the jurisdictions in which the National Electricity Market operates have entered into a memorandum of understanding and protocol on the use of emergency powers (MOU). As the proposed direction power relates to power generation, it may fall within the definition of emergency powers as agreed under the MOU. The MOU and accompanying Protocol sets out various requirements in relation to the introduction of new emergency powers and the exercise of such powers. A copy of the MOU is available on our website and can be located at the following link http://www.aemo.com.au/emergency_public/916.html.

If you have any queries or require any further information in relation to the above please do not hesitate to contact me on [REDACTED]

Yours sincerely

[REDACTED]
[REDACTED]
**Executive General Manager
Company Secretary and Corporate Affairs**

INTERVENTION, DIRECTION AND CLAUSE 4.8.9 INSTRUCTION

PREPARED BY: Power System Operations

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Version Release History

VERSION	DATE	AUTHOR	CHECKER	APPROVER	COMMENTS
17	05/07/11				Complete review
16	01/07/09				Change to <i>AEMO</i> document.
15	20/03/09				Updated for Semi-scheduled generating units. Removed Appendix A – Marginal LRC in South Australia

This document has been created by the Power System Operations Division and will be reviewed from time to time.

Disclaimer

- (a) **Purpose** – This procedure has been produced by the Australian Energy Market Operator Limited (*AEMO*) to provide information about how *AEMO* manages situations which require *direction*, or the issue of clause 4.8.9 instructions, as at the date of publication.
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1 Purpose

This Procedure has been produced by the Australian Energy Market Operator Limited (*AEMO*) to provide information about how *AEMO* manages situations that require *direction*, or the issue of clause 4.8.9 instructions, under the provisions of the National Electricity Rules.

2 Application

This Procedure applies to everyone in *AEMO* charged with the responsibility for issuing *directions* or clause 4.8.9 instructions.

3 Related Policies and Procedures

- SO_OP 3715 Power System Security Guidelines
- SO_OP 3717 Procedure for the Dispatch and Activation of Reserve Contracts
- Directions Review 2002 Consultation Final Report

4 Definitions and Interpretation

- (a) In this Procedure, a word or phrase *in this style* has the same meaning as given to that term in the NER.
- (b) Unless the context otherwise requires, this Procedure will be interpreted in accordance with Schedule 2 of the *National Electricity Law*.

5 *AEMO* Actions when issuing a direction or clause 4.8.9 instruction

1. Publish a market notice of the requirement for the *direction* so that there is an opportunity for a market response.
2. Determine and publish the latest time for intervention by *direction*.
3. Determine which Participant should be directed or a *clause 4.8.9 instruction* issued to.
4. Issue a verbal *direction* to the Participant advising of the actions required.
5. Issue a Participant notice confirming the verbal message.
6. Issue a market notice advising that *AEMO* has issued a *direction*.
7. Declare an intervention price dispatch interval.
8. If reasonably practical minimise the effect on Interconnector flows and minimise the number of *Affected Participants*.
9. Revoke the *direction* as soon as it is no longer required.

When *AEMO* issues a *direction* *AEMO* will not advise the participant of the "type" i.e. "energy" or "other" at the time the *direction* is issued.

AEMO will advise the participant of the physical deliverable requirement and the technical reason for the *direction* only.

6 Declaration of Intervention Price Dispatch Interval

Where an AEMO intervention event occurs AEMO must declare that dispatch interval to be an intervention price dispatch interval.

This declaration is independent of whether or not intervention pricing has been initiated.

A *clause 4.8.9 instruction* does not constitute an AEMO intervention event.

7 Declaration of Intervention Pricing

The test for if the intervention price run should be initiated for a *direction* is:

- Could the issue that required the *direction* be resolved by directing plant at the regional reference node?

If YES, then initiate intervention pricing.

8 Intervention Constraints

If intervention constraints are invoked, then the dispatch algorithm performs an Intervention Price run.

Intervention constraints are ignored in the Intervention Price run. This sets the dispatch price and ancillary service prices to that which would have occurred had AEMO not intervened in the market.

9 Affected Participants

To minimise the number of *Affected Participants* AEMO may select Market Participants to become *Affected Participants*.

To minimise the number of *Affected Participants* other units of the directed generator can be constrained by an amount equal to the directed amount. Alternatively, a scheduled generator, that was not the subject of the *direction*, can have its units constrained by an amount equal to the directed amount.

This is referred to as a counter action.

AEMO will only select market participants to become *Affected Participants* if intervention pricing is initiated.

The NER definition of *Affected Participants* does not allow a semi-scheduled generating unit to be an Affected Participant.

10 Effect on Interconnector Flows

AEMO will attempt to minimise the effect on interconnector flows.

Selecting market participants to become *Affected Participants* in the region where the *direction* is issued will minimise the effect on interconnector flows.

11 Issue of Clause 4.8.9 Instructions

AEMO is taken to have issued a *clause 4.8.9 instruction* if AEMO requires a Registered Participant other than in relation to a scheduled plant or a market generating unit to take some action contemplated by clause 4.8.9(a) of the NER or section 116 of the National Electricity Law.

12 Dispatch Sequence

Dispatch will be carried out in the following order:

- All price bands offered including those at MPC.
- Any capacity subject to an accepted restriction offer.
- Plant provided under a reserve contract.
- Any *Affected Participants* whose output was constrained OFF in relation to the dispatch of plant subject to a *direction*.
- Plant subject to a *direction*.

13 Regional Reference Nodes

NSW – Sydney West 330kV node

Qld – South Pine 275kV node

SA – Torrens Island Power Station 66kV node

Vic. – Thomastown 66kV node

Tas. – George Town 220kV node