

Module 2: NEM Rules and Regulations

This module aims to:

- explain the regulatory instruments applicable to the NEM (Law, Regulations and Rules)
- introduce the NEM's governing bodies and their roles
- provide an overview of the Rules and the Rules change process
- detail the Registered Participant categories, and their associated obligations under the Rules and requirements for compliance

Regulatory Overview

- NEL: National Electricity Law - In brief, the NEL looks to:
 - Define the NEM
 - Set out a single NEO (Nation Electricity Objective)
 - Confirm ECCMC (Energy and Climate Change Ministerial Council) is responsible for policy leadership for the NEM
 - Outlines roles and power of governing bodies (AEMC, AER, and AEMO)
 - Describe process of making and amending "the Rules" (National Electricity Rules)
- 'the Rules': National Electricity Rules - covers:
 - NEM participation/ registration.
 - Regional structure.
 - Market rules operation, such as the operation of - the central dispatch process and spot market.
 - Power system security.
 - Network connection, planning and expansion.
 - Electricity connection for retail customers.
 - Economic regulation of distribution and - transmission services.
 - Retail Markets.
 - Metering.
 - Administrative functions, such as dispute - resolution.
 - Jurisdictional derogations (ie rules that apply - only in a particular jurisdiction, or to - particular participants).

Governing Bodies

NEM has 5 governing bodies:

- **ECCMC: Energy and Climate Change Ministerial Council** - High level policy direction
- **AEMC: Australian Energy Market Commission** - Rule-making and energy market development
- **AER: Australian Energy Regulator** - Economic regulation and Rules enforcement
- **AEMO: Australian Energy Market Operator** - Operation of a power system and the NEM

- **EAP: Energy Advisory Panel** - Oversight and advice to the ECMC on energy security, reliability and long-term planning

≡ National Electricity Law (NEL)	The highest authority in the NEM
≡ Australian Energy Market Commission (AEMC)	Principal functions include amending and making Rules, market development and review
≡ Energy and Climate Change Ministerial Council (ECMC)	High-level policy direction to the energy market
≡ Australian Energy Regulator (AER)	Responsible for Rules enforcement, market monitoring, and economic regulatory functions
≡ Australian Energy Market Operator (AEMO)	Operates and administers the market and system on a cost recovery basis
≡ National Electricity Rules (the Rules)	Govern the operation of the NEM, and must be followed by all participants

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ASIC: Australian Securities and Investment Commission - determines the ability of NEM participants to trade in hedge contracts.

Each state also has their own laws that are based on the NEL.

- Determines extent of retail competition in jurisdiction
- Develop its own regulatory provisions via licenses and codes
- Enforces safety and environmental standards
- Set generation license or approval conditions

QLD - Dept. of Energy and Public Works, QCA: Queensland Competition Authority.

Registered Participant Roles and Responsibilities

This contains info. on Chapter 2 of the NER

Participants are registered and must process eligibility and conditions, including participant fees.

A participant can be registered in more than one registration category. Many registration categories and associated services also have multiple sub-classifications, depending on the type of activity or facility and how it interacts with the market.

Participants include, they each hold their own specific rights and obligations as defined by The Rules:

- Generator
 - Producing and selling electricity
 - Submitting dispatch bids
 - Supplying electricity according to AEMO's generation and demand schedule.
- Small generation aggregator
 - Person intending to supply electricity from 1+ small generating units, to a transmission or distribution system. (1MW < generating < 30MW)
 - Each small generating unit is required to have a separate connection point.
 - Aggregators are responsible for trading the output of units in the NEM
- Customers
 - A person registered by AEMO and engages in the activity of purchasing electricity supplied through a transmission or distribution system to a connection point.
- Network service providers
 - Owns and operates transmission and distribution networks
 - Registered with AEMO
 - Plans for augmentation of their networks
 - Operates their networks
 - Provides access to generators or customers looking for connection.
- Traders
 - Person registered in Settlement Residue Actions
- Reallocators
 - A person registered to participate in reallocations.
 - Reallocations are rule supported financial arrangements b/w AEMO and a pair of participants that allow management of volatile market trading cash flows and reduce maximum credit limit requirements
- Special participants
 - System operators: Agents engaged by AEMO to carry out AEMO's activities in managing power system operations.
 - Distribution System Operators: Those responsible for controlling or operating distribution system, even during emergencies.

Rules Enforcement

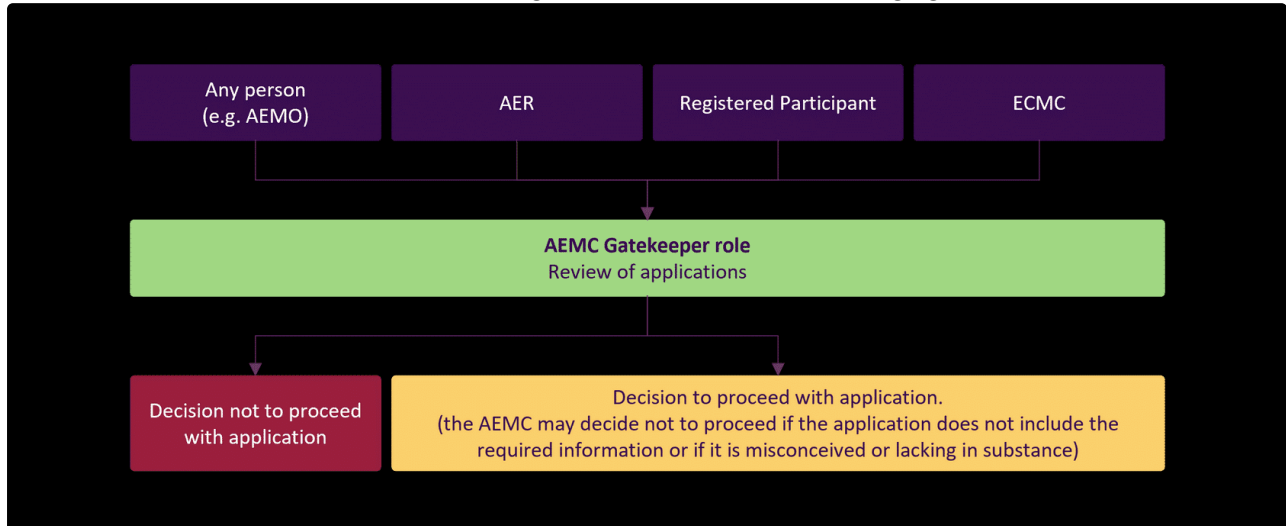
The Australian Energy Regulator monitors Rules compliance. The AER can undertake:

- **Administrative action** - AER can seek to fix minor breaches by seeking commitment from participants to take admin action to remedy breach i.e. compliance program, improve internal procedures, training)

- **Statutory action** - AER issues an infringement notice for breach of civil penalty provision, even court proceedings.

Rule changing

There are 4 stages to changing the rules.



Working Groups and Public Hearings



Draft Determination



Pre-determination Hearing

Pre-determination Hearing



Final Determination