

Report from David Headberry on the Service Standards Working Group meeting of 6 December 2005

On 6 Dec 05 the old ACCC SSWG (now AER SSWG) recommenced its deliberations.

The last action of the ACCC SSWG was of the ACCC to join with NEMMCo to develop a quantitative cost method of monitoring transmission performance – particularly availability of the transmission network when it was most needed – and to develop a method of putting a value on this loss of availability. At that time it was hoped that there would be a quantifiable outcome which would enable the TNSPs to measure the benefits of being available when end users most needed the transmission system.

At the 6 December 2005 meeting a number of matters were reported on

- * The Market Impact Transparency Report (MITR) has been developed to a stage where some indication of the cash benefit of transmission availability at critical times can be provided.

- * The MITR only values the maximum benefit of loss of availability putting some constraint on its benefit as a useful market tool.

- * Although the draft MITR was issued in June 2004, it was never issued as a final due to a number of problems associated with it. It is expected that the final report will be issued early in 2006.

- * It is anticipated that the MITR will be used to prepare monthly reports on TNSP performance. The first report will cover year 03/04 (due in Feb 06), the second report will cover year 04/05 (due in May 06) and the next report will cover year 05/06 (due Jul 06). Monthly reports will be produced thereafter, although weekly reports are possible and could coincide with the AEMC weekly reports.

- * Initially the MITR will not be used as part of the incentive program for TNSPs but will be later added to the other five benchmark performance tools (transmission cct availability, average outage duration, frequency of “off supply” events, hours of inter regional constraints and hours of intra regional constraints)

The MITR covers total cost of system constraints (TCC) but the SSWG is also now looking at Marginal Cost of system constraints (MCC) as an additional tool.

Unfortunately neither TCC nor MCC provide the most useful guide of all – that of providing a cost against which they and consumers can use to balance the increased cost to a TNSP to ensure circuit availability when needed versus the cost to consumers if it is not.

The TNSPs have agreed that they will use a common approach to assessing the physical performance of the transmission assets. This is a great step forward and will provide a sound benchmark.

The AEMC Reliability Panel is to look at and report on soft constraints in the transmission network. For example the interconnection between Vic and SA is rated at

460MW. At the moment NEMMCo stops further transfer at this point, yet the interconnect can provide an higher transfer for short periods of time, which may be sufficient to bring on lower cost slower start up plant, rather than the high cost fast start up plant currently used to respond to the hard constraint currently used. This will assist in keeping regional prices lower. This will impact on the TCC and MCC calculations if it is permitted.

The next steps are to

1. Review the MITR before its release to ensure that it complies with the program
2. Assess the outworkings of the TCC and MCC approaches as a tool for monitoring TNSP performance
3. Look at developing a cost quantitative approach to balancing the savings to consumers against the cost to TNSPs for providing availability when the network is needed.

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