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# NEM Event – Directions Report 14 to 15 December 2019

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**November 2020**

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# Important notice

## PURPOSE

Where the Australian Energy Market Operator (AEMO) intervenes in the National Electricity Market (NEM) through the use of directions, AEMO must publish a report in accordance with National Electricity Rules (NER) clauses 4.8.9(f) and 3.13.6A(a). This report satisfies those NER obligations and is based on information available to AEMO at 27 July 2020.

Unless otherwise indicated, terms in this report have the same meanings as those defined in the NER.

All references to time in this report are based on Australian Eastern Standard Time (AEST).

## Disclaimer

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## ABBREVIATIONS

| Abbreviation | Expanded name                     |
|--------------|-----------------------------------|
| AEMO         | Australian Energy Market Operator |
| DI           | Dispatch Interval                 |
| MN           | Market Notice                     |
| NEM          | National Electricity Market       |
| NER          | National Electricity Rules        |
| PS           | Power Station                     |
| SA           | South Australia                   |
| GT           | Gas Turbine                       |
| ST           | Steam Turbine                     |

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# 1. Summary

To ensure adequate system strength for secure operation of the South Australian power system, certain combinations of synchronous generating units must be in service at all times<sup>1</sup>.

Clause 4.8.9 of the National Electricity Rules (NER) allows AEMO to intervene in the market by issuing directions or clause 4.8.9 instructions, if AEMO is satisfied that it is necessary to maintain or re-establish the power system to a secure, satisfactory, or reliable operating state. Section 116 of the National Electricity Law allows AEMO to issue directions to take certain action if AEMO considers that it is necessary to maintain power system security or for reasons of public safety.

Between 14 and 15 December 2019, AEMO issued one direction to a Market Participant in South Australian to maintain power system security. This direction is summarised in Table 1.

**Table 1 Summary of the South Australia directions between 14 and 15 December 2019**

| Direction   | Directed Participant                | Event no. | Issue time                 | Cancellation time          | Direction instruction   |
|---|-------------------------------------|-----------|----------------------------|----------------------------|---|
| Pelican Point Gas Turbine (GT) 12 and Steam Turbine (ST) 18 | Pelican Point Power Limited (ENGIE) | 1         | 1450 hrs, 14 December 2019 | 1630 hrs, 15 December 2019 | Remain synchronised and follow dispatch targets from 0930 hrs, 15 December 2019 |

## 2. Intervention assessment

### 2.1 The need for intervention

To ensure adequate system strength for secure operation of the South Australian power system, certain combinations of synchronous generating units must be in service at all times. If market conditions lead to market participants seeking to decommit synchronous generation AEMO is required to intervene to maintain the required level of synchronous units. The need for intervention, and options considered, were assessed against the set of viable plant combinations available on 14 December 2019.

The requirement to intervene for the direction event in this report arose when the bid shown in Table 2 was submitted.

**Table 2 Participant offers**

| Event no. | Unit             | Offer date                 | Bid   |
|-----------|------------------|----------------------------|---|
| 1         | Pelican Point PS | 1309 hrs, 14 December 2019 | Rebid to de-commit from 0930 hrs, 15 December 2019 <sup>2</sup> |

<sup>1</sup> AEMO. Transfer Limit Advice – System Strength, available at [https://aemo.com.au/-/media/files/electricity/nem/security\\_and\\_reliability/congestion-information/transfer-limit-advice-system-strength.pdf?la=en](https://aemo.com.au/-/media/files/electricity/nem/security_and_reliability/congestion-information/transfer-limit-advice-system-strength.pdf?la=en).

<sup>2</sup> Rebid reason: 1205~A~RESPOND TO PREDISPATCH D+1~

## 2.2 Assessment of market response and latest time to intervene

Under NER clause 4.8.5A(a) and (c), AEMO must notify the market of any anticipated power system security or reliability issue, and the latest time for market response before AEMO would need to intervene. For each of the direction events, AEMO issued this market notification as listed in Table 3.

AEMO contacted all participants who operate suitable generating units in South Australia to confirm their availability and the latest time to intervene. Those participants indicated that no market response would be provided but identified units that would be available if directed.

For the direction event, AEMO assessed the latest time to intervene taking account of the advised lead times. The latest time to intervene is shown in Table 3.

**Table 3 Summary of latest time to intervene**

| Event no. | Latest time to respond     | Market Notice |
|-----------|----------------------------|---------------|
| 1         | 1430 hrs, 14 December 2019 | MN 71815      |

# 3. Intervention process

AEMO considers that it followed all applicable processes under NER clause 4.8 for the management of the direction between 14 and 15 December 2019<sup>3</sup>.

## 3.1 Adequacy of responses to AEMO inquiries

NER clause 4.8.5A(d) permits AEMO to request information from Scheduled Network Service Providers, Scheduled Generators, Semi-Scheduled Generators, and Market Customers.

AEMO is satisfied with the timeliness, adequacy, and effectiveness of all responses to its requests for information prior to issuing the direction between 14 and 15 December 2019.

## 3.2 Participant ability to comply with the intervention

NER clause 4.8.9(d) requires that a Registered Participant must immediately notify AEMO of its inability to comply, or intention not to comply, with a direction or clause 4.8.9 instruction.

AEMO is satisfied with the participant complying with the direction listed in Table 1.

<sup>3</sup> AEMO. Power system operating procedure SO\_OP 3707, "Procedures For Issue Of Directions And Clause 4.8.9 Instructions", 6 September 2019, available at [https://aemo.com.au/-/media/files/electricity/nem/security\\_and\\_reliability/power\\_system\\_ops/procedures/so\\_op\\_3707-procedures-for-issue-of-directions-and-clause-4-8-9-instructions.pdf?la=en](https://aemo.com.au/-/media/files/electricity/nem/security_and_reliability/power_system_ops/procedures/so_op_3707-procedures-for-issue-of-directions-and-clause-4-8-9-instructions.pdf?la=en).

# 4. Dispatch and pricing outcomes

## 4.1 Changes to dispatch outcomes due to the directions

The directions resulted in approximately 1,192 megawatt hours (MWh) of synchronous generation being directed into the market.

Under NER clause 3.8.1(b)(11), AEMO must ensure that, as far as reasonably practicable, the number of participants affected by the intervention and the resulting changes to interconnector flows are minimised. AEMO considered the application of counter-action constraints to achieve this objective but concluded this was not practical during this intervention.

Tables 4 and 5 summarise the estimated change to dispatch outcomes resulting from the direction event. These are estimated by comparing against a dispatch scenario with the directions removed.

Directions in one region can cause dispatch changes to other regions. These changes are driven by economic co optimisation within the market, and by the interplay between network constraint equations across multiple regions.

Of note is that while these directions displaced market-based generation in South Australia, they also increased exports from South Australia. The increased exports, coupled with an impact on network constraints, resulted in displacement of generation in other NEM regions.

**Table 4 Estimated changes to local generation in each region (MWh)**

|                   | QLD    | NSW    | VIC    | SA                              | TAS   |
|-------------------|--------|--------|--------|---------------------------------|-------|
| Without direction | 51,825 | 50,737 | 30,811 | 8,797                           | 5,387 |
| Actual            | 51,920 | 50,710 | 30,105 | 8,411 +<br>1,192 <sup>A</sup> . | 5,384 |
| Change            | 95     | -28    | -706   | 806                             | -3    |

A. 1,192 MWh is the directed energy.

**Table 5 Estimated changes to interconnector flow between regions (MWh)**

|                                | Terranora              | QNI                     | VIC-NSW                 | Heywood                  | Murraylink               | Basslink               |
|--------------------------------|------------------------|-------------------------|-------------------------|--------------------------|--------------------------|------------------------|
| Without direction <sup>A</sup> | -53                    | -319                    | 4,420                   | -2,525                   | -725                     | -1,908                 |
| Actual <sup>A</sup>            | -53                    | -360                    | 4,394                   | -3,091                   | -915                     | -1,910                 |
| Change <sup>B</sup>            | 1 MWh less into<br>NSW | 42 MWh more<br>into NSW | 26 MWh less<br>into NSW | 567 MWh more<br>into VIC | 191 MWh more<br>into VIC | 3 MWh more<br>into TAS |

A. Positive numbers are for flows north or west, negative for flows south or east.

B. Change = |Actual – Without direction|.

## 4.2 Application of intervention pricing

AEMO declares intervention pricing for periods subject to an AEMO intervention event. Under intervention pricing, NER clause 3.9.3(b) requires that AEMO set the dispatch price and ancillary service prices at the value which AEMO, in its reasonable opinion, considers would have applied had the intervention event not occurred. AEMO determines and publishes these prices in accordance with the Intervention Pricing Methodology.

Intervention pricing applies whenever the direction meets the regional reference node test, that is a direction at the regional reference node would have avoided the need for the direction.

AEMO's transfer limit advice on South Australia System Strength provides a number of feasible combinations of generating units that provide the needed level of system strength. All combinations of plant in the limit advice can be fully substituted by directing at the regional reference node (Torrens Island) in the current system strength scenarios. Accordingly, system strength directions in South Australia pass the regional reference node test and intervention pricing is appropriate.

Intervention pricing was applied for this event in accordance with NER clause 3.9.3(b), and for the full intervention period.

**Table 6 Intervention pricing application**

| Event no. | Intervention pricing start (DI ending) | Intervention pricing end   |
|-----------|--|----------------------------|
| 1         | 1455 hrs, 14 December 2019             | 1630 hrs, 15 December 2019 |

## 4.3 Direction costs

The compensation recovery costs for the direction between 14 and 15 December 2019 were \$152,685. Direction compensation recovery data can be found on the AEMO website<sup>4</sup>.

# 5. Conclusions and further actions

Between 14 and 15 December 2019, AEMO issued one direction to a Market Participant in South Australian to maintain power system security, in response to a forecast lack of system strength in the region.

AEMO is satisfied that all applicable procedures and processes were followed in assessing the need for intervention, determining the latest time to intervene, enacting and managing the intervention, applying appropriate intervention pricing and seeking market response from all generators capable of meeting the system strength requirements. The market was informed after each direction was issued.

AEMO is also satisfied with the timeliness and adequacy of participant responses and communication throughout.

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<sup>4</sup> AEMO. Direction Compensation Recovery, available at <https://aemo.com.au/en/energy-systems/electricity/national-electricity-market-nem/data-nem/settlements-data/direction-compensation-recovery>.