



15 May 2009

Mr Tom Leuner
General Manager
AER – Markets Branch
GPO Box 520
MELBOURNE VIC 3001

Dear Mr Leuner

Re: *Draft Guideline- Rebidding and Technical Parameters*

Tarong Energy welcomes the opportunity to comment on the AER's updated rebidding expectations contained within the *Draft Rebidding and Technical Parameters Guideline* released 7 April 2009 and hopes that the following comments will assist in the preparation of future iterations of this document. We note the comprehensive nature of the draft document and the clarification which it provides in relation to the AER's expectations and perspective of the operational aspects covered therein.

Tarong Energy supports the document's direction in clarifying participants' revised obligations resulting from the recent changes to the National Electricity Rules applying to the rebidding of plant technical parameters. However, Tarong Energy does have some concerns about the rigid perspective with which the AER views the operation of generating units within the NEM. Particularly in regard to the management of physical unit and plant limits. The operation of generating units is an inherently variable task, and can therefore result in rebidding in reaction to events which cannot be forecast. This is particularly acute when dealing with plant failure and its impact upon the network. The interaction between a power station and the network when unforecast events occur can result in operation of units which would be considered outside the normal operating parameters of a unit.

An example of this occurs when operating a unit near its minimum operating level as discussed in section 2.1.2 of the *Rebidding and Technical Parameters Guideline*. While we accept the AER's suggested approach to adjust the ramp rate down to 0 MW would prevent a unit from being dispatched to a level lower than its minimum operating level when forecast, experience would suggest that these events – mostly – are not able to be forecast and do not appear in pre-dispatch. In this event, the participant is forced to react to a situation where dispatch targets/output is already below the minimum operating level. In this situation the adjustment of the ramp rate down to 0 MW would not produce the required outcome. TE therefore requests that the AER provide guidance as to its preferred action to return a unit to a safe operating level when this situation occurs.

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It must be reinforced that when bidding for changes in plant condition – including plant failure – the full detail of a situation is not always known at the time of submitting a rebid based on the change. A best estimate based on the currently available information relating to an issue's cause and duration is required for a rebid to enable compliance with the dispatch process. Taking up the example given in 2.2.3 – loss of unit control - the length of a fixed load bid is indicative of the best estimate of the duration of the plant condition, and the rebid reason will be limited to a verifiable but less specific statement – that is: an uncontrollable unit is the abnormal plant condition. The detailed statement of the duration and nature of an issue with the specificity suggested in the *Draft Rebidding and Technical Parameters Guideline* (sections 2.1.1 & 2.2.3) cannot be ascertained within the timeframe required for bid submission (i.e. whether the loss of control is indeed a computer failure, or an issue with another part of the plant/control system). This creates a conflict between the expediency of bidding required to safely comply with the dispatch process and unit targets, and the information detail required by the AER. In light of this, Tarong Energy suggests that the AER refine its expectations of bid reason detail to better reflect the timeliness required by participants when submitting bids to safely conform with the dispatch process.

This perspective must be applied to a large range of plant and market issues beyond those outlined as examples above. The scenarios presented in the *Draft Rebidding and Technical Parameters Guideline* are viable with good prior knowledge of physical issues occurring. While this is the case, a participant's obligation to safely manage their portfolio may result in the proposed solutions being inadequate in many instances - including those detailed above - where a trader is dealing with unpredictable and unforecastable physical conditions.

It is therefore suggested that future iterations of the *Draft Rebidding and Technical Parameters Guideline* should be drafted with strong reference to the market understanding outlined in this submission.

Tarong Energy will be pleased to discuss any of the above matters with you in further detail if you so require.

Yours sincerely



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