

NEMMCONational Electricity Market
Management Company Ltd

ABN 94 072 010 327

Melbourne Office

11 January 2007

Mr Steve Edwell
Chairman
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

FILE No:
DOC: D07/3627
MARS/PRISM:

Dear Mr Edwell,

RE: THE EVENTS OF 31 OCTOBER 2005 IN NEW SOUTH WALES

I refer to your letter of 24 November 2006 on the above mentioned subject where you sought undertakings from NEMMCO to:

1. Review its outage management procedures and training to ensure that every effort is made to keep the market fully informed of Network issues where there is likely to be a material market impact;
2. Review its procedures for developing and reviewing Network constraints and to publicly report on the outcomes of the review. The review is to include:
 - Processes of determining constraints for: emergency conditions; planned network outages; and for system normal; and
 - Adequacy of arrangements for assessing constraint effectiveness from both power system management and market forecast accuracy perspectives ;
3. Review its procedures for the updating of power system data into the dispatch program in the event of the failure of the normal automatic communications processes.

I wish to advise that NEMMCO is happy to give undertakings sought in all three areas.

Regarding item 1, NEMMCO's internal procedures stress the requirement to give timely notice to the market of Network outage requirements advised to NEMMCO. The need to follow this procedure under emergency and normal conditions is being reinforced during routine daily operations and training activities.

Regarding item 2, NEMMCO has a number of major initiatives in hand to:

- automate the derivation of thermal constraints. This should facilitate the speedy development of constraints for unusual Network outage configurations;

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- more comprehensively test the performance of new constraints under a wide range of simulated operating conditions;
- roll out co-optimised "option 4" constraints (this was completed in December 2006 for system normal and planned outage constraints).

NEMMCO has also commenced a review of a number of aspects of NEMMCO's constraint management processes with a view to identifying areas for improvement. NEMMCO will prepare a report to address the items you raised in point 2 above and release it to the Market during 2007.

Regarding item 3, NEMMCO has reviewed and updated its processes for the timely (manual) substitution of data into its dispatch program under various degrees of failure of the normal automatic data acquisition processes.

Should you have any queries on the content of this letter please call myself on 03 9648 8702 or Charlie Macaulay on 03 9648 8716.

Yours sincerely,



LESLIE V HOSKING
Managing Director and
Chief Executive Officer