



# Changes to System Operating Procedure 3707

Draft Report – Expedited consultation  
for the National Electricity Market

**Published: 30 May 2024**

[aemo.com.au](https://aemo.com.au)

New South Wales | Queensland | South Australia | Victoria | Australian Capital Territory | Tasmania | Western Australia

Australian Energy Market Operator Ltd ABN 94 072 010 327

© 2024 Australian Energy Market Operator Limited. The material in this publication may be used in accordance with the [copyright permissions on AEMO's website](#).

## Explanatory statement and consultation notice

The publication of this draft report commences AEMO's expedited consultation on proposed amendments to System Operating Procedure 3707 – Procedures for Issue of Directions and Clause 4.8.9 instructions (**Directions Procedures**), as required by the *National Electricity Amendment (Improving security frameworks for the energy transition) Rule 2024 (ISF rule change)*<sup>1</sup>, to specify the information AEMO will include in notices published following the issue of directions issued under clause 4.8.9 of the National Electricity Rules (**NER**) (the **proposal**).

This consultation is undertaken as required by NER clause 4.8.9(b), following the procedure in NER 8.9.3. AEMO considers that the expedited rules consultation procedure is appropriate because the proposal is non-material for the following reasons:

- The proposed changes to the Directions Procedures are limited to those required by the ISF rule change, specifically the newly established NER clause 4.8.9(k). In addition, the substance of the proposal has already undergone significant public consultation as part of the AEMC's ISF rule change process. Finally, this proposed change only increases the amount of information AEMO will publish in Market Notices relating to *directions* and as such is unlikely to have a significant impact on the NEM or the activities of registered participants in the sense that it does not impose new obligations or burdens on registered participants.

The proposal allows AEMO to meet the requirements of the newly established NER clause 4.8.9(k) and the updates to the Directions Procedures provide clarity to market participants on the details AEMO will include in directions market notices. In addition, the inclusion of this information in the Directions Procedures ensures that the additional administrative burden on AEMO to issue more detailed market notices is limited<sup>2</sup>.

AEMO's draft proposal is to amend the Directions Procedures in the form published with this draft report, with a proposed effective date of 04 July 2024. This date coincides with the commencement of the relevant provisions of the ISF rule change.

### Consultation notice

If any person considers that AEMO should follow the standard (rather than expedited) consultative procedure for this proposal, they can submit a request for AEMO to do so (a **procedure change request**) within 10 business days after publication of this draft report. Any procedure change request must be sent to [NEMReform@aemo.com.au](mailto:NEMReform@aemo.com.au) by 5:00pm (Melbourne time) on **14 June 2024**. In accordance with NER 8.9.3(b), a request must include reasons why the person considers the proposal is not a 'Non-material Proposal' as defined in NER 8.9.1 – that is, why it would have a significant effect on the NEM or on the activities of a relevant group of registered participants.

AEMO invites written submissions from interested persons on this draft report and the draft proposal to [NEMReform@aemo.com.au](mailto:NEMReform@aemo.com.au) by 5:00pm (Melbourne time) on **28 June 2024**.

---

<sup>1</sup> For further details on the ISF rule change please see <https://www.aemc.gov.au/sites/default/files/2024-03/ERC0290%20-%20ISF%20final%20determination.pdf>

<sup>2</sup> As envisaged by the AEMC in their final ISF rule change determination.

Submissions may include alternative or additional proposals you consider may better meet the objectives of this consultation and the national electricity objective in section 7 of the National Electricity Law. Please include supporting reasons.

Before making a submission (including a procedure change request), please read and take note of AEMO's consultation submission guidelines, which can be found at <https://aemo.com.au/consultations>. Subject to those guidelines, submissions will be published on AEMO's website.

Please identify any parts of your submission that you wish to remain confidential, and explain why. AEMO may still publish that information if it does not consider it to be confidential, but will consult with you before doing so. Material identified as confidential may be given less weight in the decision-making process than material that is published.

Submissions received after the closing date and time will not be valid, and AEMO is not obliged to consider them. Any late submissions should explain the reason for lateness and the detriment to you if AEMO does not consider your submission.

Interested persons can request a meeting with AEMO to discuss any particularly complex, sensitive or confidential matters relating to the proposal. Please refer to NER 8.9.1(k). Meeting requests must be received by the end of the submission period and include reasons for the request. AEMO will try to accommodate reasonable meeting requests but, where appropriate, we may hold joint meetings with other stakeholders or convene a meeting with a broader industry group. Subject to confidentiality restrictions, AEMO will publish a summary of matters discussed at stakeholder meetings.

## Contents

<b>Explanatory statement and consultation notice</b>	<b>3</b>
<b>1. Stakeholder consultation process</b>	<b>6</b>
<b>2. Background</b>	<b>7</b>
2.1. Context for this consultation	7
2.2. NER requirements	7
2.3. The national electricity objective	7
<b>3. Proposal discussion</b>	<b>9</b>
3.1. Description of proposal	9
3.2. How the proposal meets the objectives	10
<b>4. Draft determination</b>	<b>10</b>
4.1. Draft determination	10
4.2. Effective date	10

## Tables

Table 1 Consultation process and timeline.....	6
--	---

# 1. Stakeholder consultation process

As required by National Electricity Rules (**NER**) Clause 4.8.9(b), AEMO is consulting on proposed amendments to the Directions Procedures that are required to give effect to the Improving Security Frameworks (ISF) rule change. The proposed amendments outline the information AEMO will include in directions market notices (the **proposal**). This consultation is being undertaken in accordance with the expedited rules consultation procedure in NER 8.9.3.

Note that this document uses terms defined in the NER, which are intended to have the same meanings.

AEMO's process and expected timeline for this consultation are outlined below. Future dates may be adjusted and additional steps may be included as needed, as the consultation progresses.

**Table 1 Consultation process and timeline**

Consultation steps	Dates
Draft report published	<b>30 May 2024</b>
Procedure change request deadline	<b>14 June 2024</b>
Submissions due on draft report	<b>28 June 2024</b>
Final report published	<b>04 July 2024</b>

AEMO considers that the expedited rules consultation procedure is appropriate for the proposal because it is not expected to have a significant impact on either:

- The NEM wholesale market or power system, because the proposed changes to the Directions Procedures are limited to those required by the ISF rule change and the AEMC's final determination on this matter, specifically the newly established NER clause 4.8.9(k). In addition, the ISF rule change has already undergone significant public consultation as part of the AEMC's rule change process.
- The activities of the groups of registered participants that the proposal relates to, because this proposed change only increases the amount of information AEMO will publish in directions market notices and does not impose new obligations or burdens on registered participants.

At any time before the final report is published, and based on information received through submissions to this draft report, any procedure change requests under NER 8.9.3(b) or otherwise, AEMO may decide that the proposal can no longer be considered non-material. If so, AEMO will switch to the standard consultation procedure by publishing a notice under NER 8.9.3(f).

AEMO's consultation webpage for the proposal is at <https://aemo.com.au/consultations/current-and-closed-consultations/changes-to-system-operating-procedure-3707>, which will contain all previous published papers and reports, written submissions, and other consultation documents or reference material (other than material identified as confidential).

## 2. Background

### 2.1. Context for this consultation

The AEMC's final determination and a more preferable rule for the ISF rule change (published 28 March 2024) includes:

- Explicit requirements for AEMO to publish a market notice when issuing a direction (noting that in practice AEMO currently publishes a market notice when issuing a direction but it is not codified in the NER) and,
- Requirements for AEMO to provide more details in market notices for directions, such as the identity of directed participants and detail about the nature of the direction.

To meet these requirements AEMO will include additional information in direction market notices and AEMO must therefore update the Directions Procedures.

### 2.2. NER requirements

As outlined in the ISF rule change the newly established NER clause 4.8.9(k) states that:

*"If AEMO has issued a direction, AEMO must, to the extent reasonably practicable, immediately publish a notice setting out:*

*(1) the Directed Participant subject to the direction;*

*(2) the required actions to be taken by the Directed Participant, including the quantity of energy (in MW) to be dispatched, and details about the Directed Participant's future dispatch targets, if applicable;*

*(3) for a direction pursuant to clause 3.15.7(a2)(4), the service that was provided;*

*(4) details of the circumstances that necessitated the direction, including the 'act or thing' referred to in paragraph (a)(1)."*

To meet the above NER requirement AEMO will include additional details in direction market notices and must therefore update the Directions Procedures to reflect these changes.

As outlined in NER clause 4.8.9(b), amendments to the Directions Procedures are required to be made in accordance with the Rules consultation procedures.

### 2.3. The national electricity objective

Within the specific requirements of the NER applicable to this proposal, AEMO will seek to make a determination that is consistent with the national electricity objective (NEO) and, where considering options, to select the one best aligned with the NEO.

The NEO is expressed in section 7 of the National Electricity Law as:

to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to:

- (a) price, quality, safety, reliability and security of supply of electricity; and

- (b) the reliability, safety and security of the national electricity system; and
- (c) the achievement of targets set by a participating jurisdiction—
  - (i) for reducing Australia’s greenhouse gas emissions; or
  - (ii) that are likely to contribute to reducing Australia’s greenhouse gas emissions.



## 3. Proposal discussion

### 3.1. Description of proposal

#### 3.1.1. Participant market notice

AEMO proposes that following the issue of a verbal *direction*, the requirement for AEMO to confirm a verbal *direction* by issuing a written participant notice be removed from the Directions Procedures. In making this change AEMO has updated the Procedures to make clear that the market notice issued advising that AEMO has issued a *direction* also serves as a confirmation of the verbal *direction* issued to the participant.

AEMO proposes this change as the information currently provided by the participant notice will now be included in the market notice AEMO is required to publish under NER clause 4.8.9(k). Therefore, the issue of a separate written participant notice is no longer required and would lead to unnecessary duplicate notices being issued.

As outlined in the current version of the Directions Procedures, where a *direction* cannot be given by telephone, AEMO will continue to issue a separate written participant notice.

#### 3.1.2. Revoking directions

AEMO proposes minor amendments to section 4.3 of the Directions Procedures to state that AEMO will revoke participant directions by issuing a market notice instead of a participant notice. In addition, AEMO will publish a market notice when all directions arising from the circumstances giving rise to the intervention event have been revoked instead of when a single *direction* is revoked. This is to align with the approach described in section 3.1.1 of this document where participant notices will not normally be issued.

#### 3.1.3. Content of Market Notice

AEMO proposes to include a new section in the Directions Procedures which outlines the content that will be included in *direction* market notices. This section will outline how AEMO intends to meet the requirements of NER clause 4.8.9(k) and (as required by the ISF rule change) summarises what AEMO will publish related to:

- Directed participant
- Resource type
- Required actions
- Service or need provided by the direction (where this is reasonably practicable to identify), and
- Circumstances necessitating the direction

This approach will give clear guidance to participants and the AEMO control room on the contents of *direction* market notices and define what the common terms used these market notices mean. This will allow market participants to better understand the security requirements and needs of the power system in real-time.

## 3.2. How the proposal meets the objectives

In section 7 of the AEMC’s published final determination on the ISF rule change<sup>3</sup> covering changes to directions reporting to improve transparency, the AEMC stated “We consider that these changes will advance the NEO by improving the transparency of the directions framework by ensuring that participants receive valuable information in a timely manner, while also minimising the administrative burden on AEMO. They will also allow more opportunities for stakeholders to understand how AEMO is managing the power system during the decarbonisation and transition of the NEM“

AEMO’s proposal to update the Direction Procedures and the associated information published in market notices to meet the requirements of NER clause 4.8.9(k) meets the objectives of the ISF rule change and therefore supports the NEO as outlined by the AEMC in the rule change.

## 4. Draft determination

### 4.1. Draft determination

AEMO has prepared a draft of amendments to the Direction Procedures reflecting the proposal, as published with this draft report in mark-up format from the current version. AEMO’s draft determination is to amend the Direction Procedures in that form.

### 4.2. Effective date

AEMO’s proposed effective date for the determination is **04 July 2024**. This date coincides with the commencement of the relevant provisions of the ISF rule change.

---

<sup>3</sup> For further details please see section 7 of the AEMC’s final determination on the ISF rule change here - <https://www.aemc.gov.au/sites/default/files/2024-03/ERC0290%20-%20ISF%20final%20determination.pdf>