# MEMORANDUM ACCOMPANYING THE REGULATOR'S DETERMINATION
# RAISE CONTINGENCY FREQUENCY CONTROL ANCILLARY SERVICES

The Tasmanian Economic Regulator published its Final Report, on its investigation into the pricing policies of Hydro Tasmania for the supply of raise contingency frequency control ancillary services to meet the Tasmanian local requirement, on 20 December 2010.

In preparing the Determination to reflect the decisions contained in the Regulator's Final Report, several issues arose with respect to the calculation/measurement of some input parameters. The following table summarises the variations in the Determination from the Final Report.

| Final Report decision | Determination |
|---|---|
| The Final Report contained references to renewable energy certificates (RECs) | The references to renewable energy certificates have been replaced by the term large scale generation certificates (LGC) to reflect amendments to the *Renewable Energy (Electricity) Act 2000* (Cwth) which took effect from 1 January 2011. |
| Calculation dates are 15 January and 15 July in each year of the Determination. | The effective date of the Determination is 1 February 2011. Hence the Determination cannot require Hydro Tasmania to calculate parameter values on 15 January 2011. However, Hydro Tasmania will calculate and publish the requisite information required in the Determination prior to 1 February 2011. Similarly, the requirement for an action on 15 January 2016 is unnecessary as the Determination expires on 31 January 2016. So calculation date of 15 January 2016 has been specifically excluded from application. |
| The calculation of the LGC price is based on the average weekly LGC price in which 15 January (or 15 July as the case may be) falls. | The week in which 15 January (or 15 July) falls may not have ended. In the Determination, the LGC price is now based on the week in which 15 December (or 15 June) falls. |
| Calculation of the energy price on 15 January (or 15 July) is based on the one year Victorian flat swap contract price for the year commencing 1 January (or 1 July). | Calculation is based on the average one year Victorian flat swap contract price for the year commencing 1 January (or 1 July) quoted for the week containing 15 December (or 15 June). |
| The parties that can enter a safety net contract with Hydro Tasmania were referenced as Tasmanian generators. | The parties that can enter a contract with Hydro Tasmania includes persons that sell the output of a Tasmanian generator that have a potential liability to make payments to AEMO for raise contingency FCAS when there is a Tasmanian local requirement. |

| Final Report decision | Determination |
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| The means for measuring the parameter that represents "the expected total Tasmanian generators' liability when the contracting generator's liability is at a maximum or near or above the generator's capped quantity" was not specified. | This parameter is referenced in the Determination as parameter Y being the cap-related supply capability for six second raise contingency FCAS. It is fixed for the term of the Determination at 81 MW being the maximum supply capability of 131 MW from the John Butters (31 MW) and Gordon (100 MW) power stations, less a contingency amount of 50MW which represents the unavailability of two machines at Gordon (N-2 on a unit basis). Hydro Tasmania has advised that 81 MW equates approximately to the $99^{th}$ percentile of the Tasmanian local requirement in the 2010 calendar year. |
| The calculation of the Tasmanian local requirement is not sufficiently specific | There is some latitude in how this parameter is calculated. The Determination requires Hydro Tasmania to publish on its website the procedure that it has used for calculating this input parameter (E). |
| Publication of pricing data etc on Hydro Tasmania's website is required within one business day of the calculation date | Hydro Tasmania indicated that it may not always be possible to publish the data within the required timeframe. The Determination allows Hydro Tasmania to seek the Regulator's approval to extend the timeframe where necessary. |