



Hydro Tasmania Enhancement Compliance Plan 2016

March 2016

This Enhancement Compliance Plan (Compliance Plan) has been prepared by Hydro Tasmania in accordance with section 37 of the Electricity Supply Industry Act 1995 and the Ministerial Notice dated 9 October 2014 issued to Hydro Tasmania under section 36 of the Electricity Supply Industry Act 1995.

Introduction

Section 37(1) of the Electricity Supply Industry Act 1995 (the “Act”) requires Hydro Tasmania to prepare an annual Compliance Plan while a Ministerial Notice under section 36 of the Act is in force. A Ministerial Notice was issued to Hydro Tasmania under section 36 of the Act on 31 July 2005. A revised Ministerial Notice was issued which took effect on 9 October 2014. The Ministerial Notice requires Hydro Tasmania to lodge its annual draft Compliance Plan with the Minister, by 31 March each year.

Section 37(2) of the Act requires Hydro Tasmania to specify in the Compliance Plan details as to the manner in which, it proposes to comply with the principles specified in the Ministerial Notice, as well any matters and information required to be included in the Compliance Plan by the Ministerial Notice. Hydro Tasmania will publish its Compliance Plan on its external website.

References to principles in this Compliance Plan are to principles contained in the Ministerial Notice. Terms defined in the Ministerial Notice bear the same meaning in this Compliance Plan.

Division 3 (Section 36 and 37) of the ESI Act was due to expire on 31 December 2010. On the 3 December 2010, the Act was subsequently amended to the remove the Expiry of Division 3. This Compliance Plan covers the period from 1 July 2016 to 30 June 2017 in order to be consistent with the requirement for a yearly Compliance Plan.

Section 1: Basslink Transport Bidding

1.1 Principle 3.1

Principle 3.1 requires that Hydro Tasmania must not instruct Basslink Pty Ltd (BPL) to submit a negative bid which applies to power flows across Basslink in either direction or otherwise agree to BPL making a negative bid in either direction for the purpose of producing counter-priced flows; and

In the event that Hydro Tasmania instructs BPL to submit a negative bid which applies to flows across Basslink, it must only be in appropriate circumstances.

Hydro Tasmania's Board has given a formal direction prohibiting the giving of any instructions on Hydro Tasmania's behalf to BPL to submit a negative bid which applies to power flows across Basslink in a southward direction, or otherwise agreeing to BPL making a negative bid in a southward direction under any circumstances.

In the event that Hydro Tasmania instructs BPL to submit a negative bid which applies to northward flows across Basslink, it must only be where:

- i) the Victorian spot price is higher than the Tasmanian Spot Price;
- ii) the Tasmanian price is negative; and
- iii) transmission constraints that affect the Latrobe Valley connection point start to bind.

Any such negative bid would be submitted when all three conditions are met and would be withdrawn at the end of the current trading interval when any of the three conditions are not met.

Compliance with this direction will be monitored and enforced in accordance with Hydro Tasmania's compliance policy, as approved by the Board from time to time, in accordance with AS3806.

1.2 Principle 3.2

Principle 3.2 provides that in the event that Hydro Tasmania instructs BPL to submit a positive bid which applies to southward flows across Basslink, it must only be in appropriate circumstances.

Hydro Tasmania's Board has given a formal direction prohibiting the giving of any instructions on Hydro Tasmania's behalf to BPL to submit a positive bid which applies to southward flows across Basslink in any circumstances other than where (a) there is a constraint active between Latrobe Valley and Thomastown and counter price flows across Basslink are occurring (ie flows on Basslink are from the high priced region to the low priced region) or (b) to ensure compliance with the National Electricity Rules where a negative northward bid has been made under Principle 3.1.

In (a), Hydro Tasmania may instruct BPL to submit a positive bid on southwards flows across Basslink to stop the counter price southward flow. Any such positive bid would

be submitted after publication by NEMMCO that the constraint is binding and would be withdrawn when NEMMCO publishes that the constraint is no longer binding.

In (b), the positive bid will be initiated and withdrawn at the same time as the associated negative bid.

Compliance with this direction will be monitored and enforced in accordance with Hydro Tasmania's compliance policy, as approved by the Board from time to time, in accordance with AS3806.

1.3 Principle 3.3

Principle 3.3 provides that if Hydro Tasmania instructs BPL to make a negative bid in either direction or a positive bid which applies to southward flows, it must publicly disclose the reason for doing so shortly after each event.

In the event that a negative bid in either direction or a positive bid in a southward direction is made, Hydro Tasmania will publish the fact that it has given an instruction to BPL for this reason on Hydro Tasmania's website within two working days of any such instruction being given.

Section 2: Basslink Southwards IRRs

2.1 Principle 4.1

Principle 4.1 requires Hydro Tasmania to make available the southward IRRs by way of over-the-counter sales.

Hydro Tasmania will publish on its website high-level information on southward inter-regional products and pricing.

Section 3: Annual Audit

Section 37(7) requires that each year Hydro Tasmania must:
(a) have its Compliance Plan audited by a person approved by the Regulator;
and
(b) provide a copy of the report of the auditor to the Regulator.

For the purposes of compliance with section 37(7), Hydro Tasmania will propose for the approval of the Regulator an auditor subject to the following conditions:

- Hydro Tasmania will submit terms of reference for engagement of the auditor for the approval of the Regulator which shall include a proposed scope of report and details for dealing with confidential information;
- The auditor must have skills and experience appropriate to the terms of reference;
- The auditor must be independent and have no conflicts of interest in respect of the subject matter of the audit and the audit report;
- The terms of reference will make it clear that the auditor will have a duty of care to the Regulator in the preparation of the audit report; and
- The Regulator may require further work by the auditor (at the expense of Hydro Tasmania) where the report is unsatisfactory.