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## Agenda item 5c:

### Wholesale Electricity Market Pre Rule Change Discussion Paper

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**Change Proposal No:** PRC\_2010\_10

**Received date:**

#### Change requested by

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<b>Date submitted:</b>	4 May 2010
<b>Urgency:</b>	Standard Rule Change Process
<b>Change Proposal title:</b>	Bilateral Submission Window
<b>Market Rule affected:</b>	6.4.6

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## Introduction

Clause 2.5.1 of the Wholesale Electricity Market Rules (Market Rules) provides that any person (including the Independent Market Operator (IMO)) may make a Rule Change Proposal by submitting a completed Rule Change Proposal form to the IMO.

This Rule Change Proposal can be posted, faxed or emailed to:

**Independent Market Operator**

Attn: Manager Market Development and System Capacity  
PO Box 7096  
Cloisters Square, Perth, WA 6850

Fax: (08) 9254 4339

Email: market.development@imowa.com.au

The IMO will assess the proposal and, within five Business Days of receiving this Rule Change Proposal form, will notify you whether the Rule Change Proposal will be further progressed.

In order for the proposal to be progressed, all fields below must be completed and the proposal must explain how it will enable the Market Rules to better contribute to the achievement of the wholesale electricity market objectives. The objectives of the market are:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- (c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.

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## **Details of the proposed Market Rule Change**

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### **1. Describe the concern with the existing Market Rules that is to be addressed by the proposed Market Rule change:**

#### **Background**

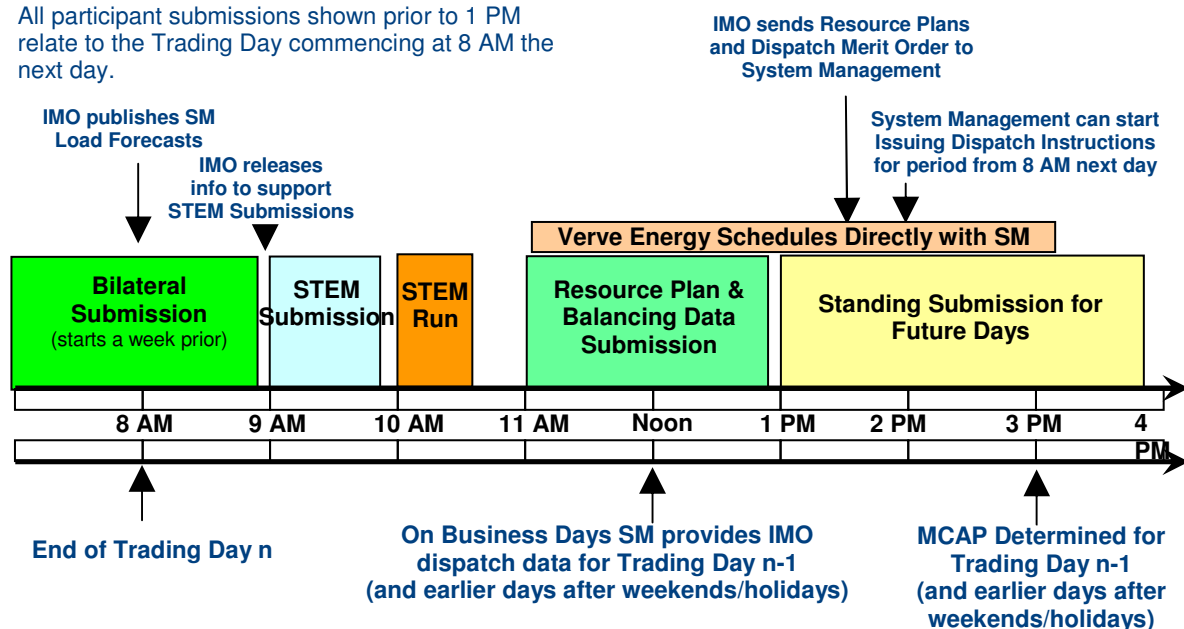
Chapter 6 of the Market Rules prescribes a strict timetable for the events leading up to the start of each Trading Day. Under normal circumstances, Market Generators are able to make Bilateral and STEM submissions in accordance with that timetable. By inference, to facilitate those submissions, the IMO must, for each Trading Day:

- open the Bilateral Submission window at 8:00 AM on the day one week prior to the Scheduling Day, and ending at 8:50 AM on the Scheduling Day (clause 6.2.1);
- open the STEM Submission window between 9:00 AM and 9:50 AM on the Scheduling Day (clause 6.3B.1);
- run the STEM Auction and publish the results to participants between 10:00 AM and 10:30 AM on the Scheduling Day (clauses 6.4.1, 6.4.2 and 6.4.3);
- open the Resource Plan and Balancing Data Submission windows between 11:00 AM and 12:50 PM on the Scheduling Day (clauses 6.5.1 and 6.5A.1); and
- determine the Dispatch Merit Orders and provide System Management with Resource Plans, Dispatch Merit Orders and Fuel Declarations by 1:30 PM on the Scheduling Day (clauses 6.12.1, 7.4.1 and 7.5.1).

This information is outlined in the diagram below.

## Key Events in the Energy Market

All participant submissions shown prior to 1 PM relate to the Trading Day commencing at 8 AM the next day.



All times are in Western Standard Time

To assist participants with their submissions, the IMO publishes several reports during the Scheduling Day. These reports are also published according to a strict timetable, with different reports due by 8:00 AM, 8:30 AM, 9:00 AM, 9:05 AM and 9:30 AM on the Scheduling Day (clauses 6.2.3, 6.2.8 and 6.3A).

### Issue

In the event of an IMO system failure, clause 6.4.6 allows the IMO to extend one or more of the timelines prescribed in clauses 6.3A, 6.3B and 6.4 for up to two hours. Clauses 6.5.1, 6.5A.1 and 7.4.1 allow these extensions to flow through to the deadlines for the Resource Plan and Balancing Data Submission windows, the IMO determination of the Dispatch Merit Order and the provision of Resource Plans to System Management.

However, the Market Rules do not permit the IMO to delay the closing of the Bilateral Submission window in the event of an IMO system failure. There is also no provision to delay the publication of Bilateral Submission quantities to Market Participants (clauses 6.2.3 and 6.2.8).

It is beneficial to the market to have the STEM outcome as reflective of the conditions on the Trading Day as possible. Market participants could thus firm up their bilateral contract quantities as late as possible to take into consideration better assessment of demand and plant performance expected for the Trading Day a day ahead. This means that despite the

length of the Bilateral Submission window (seven days and 50 minutes) the IMO would expect Bilateral Submissions to be firmed up closer to the close of the Bilateral Submission window. Thus, if the IMO experiences a system failure just prior to the window closure, a Market Generator may be unable to make an updated Bilateral Submission that accurately reflects its final contract position.

The problem affects the accuracy of the Bilateral Submission quantities for both the Market Generator and its bilateral contract partners. This inaccuracy will then result in STEM prices not reflective of the conditions expected for the Trading Day. This STEM outcome will affect most Market Participants. Any attempts to compensate through adjustments to STEM submissions are complex, prone to error and, if incorrect, may have unforeseen impacts on the calculation of STEM clearing prices.

### **Proposal**

It is proposed that the timelines for the Bilateral Submission window and the publication of Bilateral Submission quantities be added to the set of timelines that can be delayed by up to two hours in the event of an IMO system failure.

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## **2. Explain the reason for the degree of urgency:**

Verve Energy proposes that this Rule Change Proposal be progressed through the Standard Rule Change Process.

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## **3. Provide any proposed specific changes to particular Rules: (for clarity, please use the current wording of the Rules and place a ~~strikethrough~~ where words are deleted and underline words added)**

6.4.6. In the event of a software system failure at the IMO site or its supporting infrastructure, which prevents the IMO from completing the relevant processes, the IMO may extend one or more of the timelines prescribed in sections 6.2, 6.3A, 6.3B and this section 6.4, subject to:

- (a) any such extension not resulting in more than two hour delay to any of the timelines prescribed in sections 6.2, 6.3A, 6.3B and this section 6.4; and
- (b) any such extension maintaining 50 minute window between the timelines prescribed in 6.3B.1(a) and 6.3B.1(b) as extended by the IMO;

and the IMO must advise Rule Participants of any such extension as soon as practicable.

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**4. Describe how the proposed Market Rule change would allow the Market Rules to better address the Wholesale Market Objectives:**

By design, bilateral contracts cover most of the sales in the Wholesale Electricity Market. Inaccurate Bilateral Submissions will lead to inaccurate STEM Offers and STEM Bids. This will result in STEM prices not reflective of the expected system load and generation cost. Thus this rule change will better address directly the first objective of the market and indirectly the second and fourth objectives of the market.

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**5. Provide any identifiable costs and benefits of the change:**

**Costs:**

The IMO would require some changes to its internal operating procedures. Market Participants may require some minor changes to their IT systems and internal procedures.

**Benefits:**

More accurate Bilateral Submissions leading to better market outcomes.