



# Independent Market Operator

## **MARKET RULES EVOLUTION PLAN 2008 - 2011**

**August 2008**

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## 1. INTRODUCTION

This paper presents a three-year Market Rules Evolution Plan for the Market Advisory Committee's consideration. The Plan incorporates a list of issues raised by various stakeholders since the commencement of the Market, and outlines a number of market development reviews proposed to address each of these issues.

The Market Advisory Committee is requested to consider the prioritisation of the issues, recommended by the IMO, as well as the timing of the various market development reviews proposed to address each issue.

Section 2 of this paper contains an overview of, and proposed actions, regarding each issue, while Attachment 1 outlines the timelines and resources proposed with respect to each market development review. In addition, Attachment 2 outlines potential Market Rule changes which have been logged by the IMO but have not yet been submitted to MAC for consideration.

Following is a summary of the development reviews and potential Market Rule changes outlined in Attachments 1 and 2.

<b>MARKET RULES DEVELOPMENT REVIEWS (2008 to 2011)</b>	
<b>Major (requiring substantial resources and analysis)</b>	<b>10</b>
<b>Minor (requiring limited resources and analysis)</b>	<b>6</b>
<b>POTENTIAL CHANGES LOGGED BY THE IMO – NOT YET FORMALLY SUBMITTED</b>	
<b>High Priority (to be formally submitted in the next 3/6 months)</b>	<b>15</b>
<b>Medium Priority (may be submitted in the next 6/12 months)</b>	<b>20</b>
<b>Low Priority (may be submitted in the next 12/18 months)</b>	<b>20</b>
<b>Total Potential Rule Changes</b>	<b>55</b>

The IMO notes that the priorities and timelines, established in consultation with MAC, may change during the three-year period in the circumstances where new high-priority issues are identified and resources have to be diverted to address these issues. The IMO proposes to review and update the Market Rules Evolution Plan six-monthly and present this to MAC for its re-prioritisation of the issues.

## 2. ISSUES

### 2.1. Supplementary Capacity

#### Issue:

A number of issues that require review have been identified with respect to the Supplementary Reserve Capacity provisions of the Market Rules, including:

- appropriate funding for the additional costs associated with the use of the Supplementary Reserve Capacity (SRC) mechanism and the distribution of these costs amongst Market Participants;
- the appropriateness of a causation built into the mechanism, where the failure by a generator (or DSM provider) to meet its obligations, would see these additional costs sheeted home to that party;
- the definition of Eligible Services under the Market Rules to allow for existing capacity that is available (but has only acquired Capacity Credits for future cycles), including the contribution/measurement of such capacity when deciding if SRC is required and the ability to compensate such contribution.

#### Proposed Action:

MAC has established a Working Group will consider the issues that have been identified with respect to the Supplementary Reserve Capacity provisions of the Market Rules and, if necessary, develop any amendments to the Market Rules. (MR 4.24 and 4.28).

### 2.2. Ancillary Service Standards and Requirements

#### Issue:

At least once in every five years the IMO, with the assistance of System Management, must carry out a study of the Ancillary Service Standards and the basis for setting Ancillary Service Requirements.

The IMO currently proposes to commence the first review in the second half of 2008.

#### Proposed Action:

Study Ancillary Service Standards and the basis for setting Ancillary Service Requirements as well as review the competitive provision of Ancillary Services (MR 3.9 to 3.15).

### 2.3. Intermittent Loads

#### Issue:

A number of issues have been identified with respect to the provisions of the Market Rules related to Intermittent Load refunds. These issues are outlined in Attachment 2 to this Market Rules Evolution Plan.

**Proposed Action:**

Review the provisions of the Market Rules related to Intermittent Load refunds (MR 4.28).

**2.4. Prudential Requirements and Default provisions****Issue:**

A number of issues that may require review have been identified with respect to the Prudential Requirements and Default Provisions of the Market Rules, including a number of potential inconsistencies between the relevant provisions in Chapter 2 and Chapter 9. These issues are outlined in Attachment 2 to this Market Rules Evolution Plan.

**Proposed Action:**

Review the Prudential Requirements and Default Provisions of the Market Rules (MR 2.37 & 2.43, and MR 9.23 & 9.34).

**2.5. Long-term Market Roadmap****Issue:**

Some of the issues raised by various stakeholders since the commencement of the Market may take a considerable period of time to address, and may require a substantial implementation effort. The possible implications of these longer term issues should be considered to ensure that no short-term steps are taken that may inhibit long term solutions.

**Proposed Action:**

To assist the consideration of such broader issues the IMO proposes to initiate, in conjunction with the Economic Regulation Authority, the Office of Energy and Market Participants, the development of a long term market roadmap. This high level roadmap would identify the steps required to facilitate the achievement of the long term objectives of the market and its stakeholders (e.g. competitive balancing and potentially a real-time market).

**2.6. Allowable Revenue Processes****Issue:**

The Market Rule provisions with respect to the Allowable Revenue and Budget determination processes for System Management were developed assuming that System Management budget for ancillary services would cover Western Power's costs. However, with the disaggregation of Western Power and with the IMO actually funding ancillary services these provisions would have to be reviewed. For instance, while it is still important to set the total ancillary services costs for the market, these need to be separated from System Management budgetary processes.

**Proposed Action:**

Review the Allowable Revenue and Budget determination processes for System Management (MR 2.23).

**2.7. Reserve Capacity Applications Timeframes****Issue:**

The two-year reserve capacity cycle may be too short compared with the lead time for some projects and financiers may not accept conditional certification.

It is also proposed to examine whether the Market Rules need to be enhanced to ensure that newly commissioned plant can prove its reliability before the start of the "hot season" in the year for which it commissions.

**Proposed Action:**

Review Reserve Capacity applications timeframes (MR 4.1)

**2.8. Improved Balancing Mechanism****Issue:**

The current market design does not provide mechanisms to handle unexpected events between the clearing of the STEM and real time and this appears to create a number of issues, which impact on both Verve Energy and other market participants:

- Under the current mechanism, balancing prices do not always reflect the final dispatch and this impacts on the balancing generator – Verve Energy.
- In addition, IPPs do not have the flexibility to move generation between their own units or purchase from another generator within the dispatch day without incurring unfavourable deviation prices in balancing.
- There also appears to be a desire to allow IPPs to contribute towards balancing more effectively where this makes sense economically.

**Proposed Action - Short Term:**

Either:

- Investigate whether to shift the STEM from the morning to the evening of the day ahead.
- Examine interim steps to improve the calculation of the MCAP balancing price by allowing MCAP to reflect the actual facilities and fuels in use.

**Proposed Action - Longer Term:**

Consider/design/implement replacement of the current balancing mechanism with a pre-dispatch process and spot market over the longer term. (Chapter 6)

## **2.9. Emissions Trading, Greenhouse Gas Abatements and Renewable Energy Targets – Impact on the Market**

### **Issue:**

Policy developments in regard to emissions trading, greenhouse gas abatements, and renewable energy targets can impact the development of the Market:

### **Proposed Action:**

Examine the impact of policy developments in regard to emissions trading, greenhouse gas abatements, and renewable energy targets on the Market Rules and the Market in general.

## **2.10. Transparency of STEM Offers**

### **Issue:**

The aggregated nature of the STEM offers, which are currently portfolio based, makes the monitoring of whether offers reflect reasonable expectation of SRMC difficult.

### **Proposed Action:**

Examine options to increase the transparency of Market Generator offers and the efficiency of SRMC monitoring (MR 2.16.9).

## **2.11. Market Rule Change Processes**

### **Issue:**

Under the current Market Rules, a standard rule change process takes a considerable time to complete.

While it is appropriate that the rule change process proceeds in an efficient and timely manner, it should also provide sufficient time for consultation and analysis. Further, some rule changes would be more complex others would be simpler and a single timeline may not always deliver efficient outcomes.

The IMO considers that the efficiency of the Market Rule Change processes should be examined in light of best regulatory practice with the objective to streamline the existing prescribed timelines. Any changes to the processes and timelines should provide sufficient flexibility to allow the IMO Board to consider proposed Rule Changes in Session.

### **Proposed Action:**

Review the effectiveness/efficiency of the Market Rule Change processes and the operation/composition of the MAC (Market Rules 2.4 to 2.11).

## 2.12. Outage Planning

### Issue:

From time to time the IMO, with the assistance of System Management, will conduct a review of the outage planning process against the Wholesale Market Objectives.

### Proposed Action:

Review of the outage planning process against the Wholesale Market Objectives (MR 3.16 to 3.21).

## 2.13. Secondary Markets for Capacity Credits/Obligations

### Issue:

The market rules currently allow bilateral trade of capacity credits between a generator and retailer, which is notified to the IMO. There is no provision in the market rules for the retailer to transfer the capacity credits to another retailer without going back through the generator.

### Proposed Action:

Examine changes to facilitate the transfer of capacity credits/obligations in secondary markets (MR 9.4).

## 2.14. Energy Price Limits

### Issue:

The STEM and the balancing mechanism have two price caps, the maximum STEM price for non-liquid fuelled facilities, and the alternative maximum STEM price for liquid fuelled facilities.

### Proposed Action:

Review the appropriateness of the two Energy Price Limits (MR 6.20).

## 2.15. Interactions between the Market Rules and Regulations

### Issue:

There are, however, a number of other overlaps. These can be avoided by referring, in the Market Rules, to the processes that are set out in the Regulations.

### Proposed Action:

Review the overlap/interactions between the Market Rules and the WEM Regulations and “clean up” the Rules



## ATTACHMENT 1 – MARKET DEVELOPMENT REVIEWS

Review	Timelines						Resources
	July 08 – Dec 08	Jan 09 – June 09	July 09 – Dec 09	Jan 10 – June 10	July 10 – Dec 10	Jan 11 – June 11	
Review Supplementary Capacity Provisions of the Market Rules (MR 4.24 and 4.28)	Major						IMO/MAC MAC Working Group
Carry out a study on the Ancillary Service Standards and the basis for setting Ancillary Service Requirements as well as review the competitive provision of Ancillary Services (MR 3.9 to 3.15).	Major						IMO/SM/MAC MAC Working Group External Expert
Review provisions related to Intermittent Loads (MR 4.28, 4.28A, 4.28B & 4.29)	Minor						IMO/MAC
Review the Prudential Requirements and Default Provisions of the Market Rules (MR 2.37 & 2.43, and MR 9.23 & 9.34).	Minor	Minor					IMO
Develop a long term market roadmap.	Major	Major	Major				IMO/ERA/OOE Industry
Review the Allowable Revenue and Budget determination processes for System Management (MR 2.22 and 2.23).		Minor					IMO/SM/ERA/MAC
Review Reserve Capacity applications timeframes and measures to improve the reliability of new plant (MR 4.1)		Major	Major				IMO/MAC MAC Working Group
Investigate interim steps to improve the Balancing Mechanism (Chapter 6).		Major	Major	Major			IMO/MAC MAC Working Group External Expert

Review	Timelines						Resources
	July 08 – Dec 08	Jan 09 – June 09	July 09 – Dec 09	Jan 10 – June 10	July 10 – Dec 10	Jan 11 – June 11	
Examine the impact of policy developments in regard to emissions trading, greenhouse gas abatements, and renewable energy targets on the Market Rules and the Market in general.			Major	Major			IMO/ERA/OOE/MAC MAC Working Group
Examine options to increase the transparency of Market Generator offers and the efficiency of SRMC monitoring (MR 2.16.9).			Minor	Minor			IMO//ERA/MAC
Review the effectiveness/efficiency of the Market Rule Change processes and the operation/composition of the MAC (Market Rules 2.4 to 2.11).				Minor	Minor		IMO/MAC MAC Working Group
Consider/design/implement replacement of the current balancing mechanism with a pre-dispatch process and spot market over the longer term. (Chapter 6)				Major	Major	Major	IMO//ERA/SM/MAC MAC Working Group External Expert
Review of the outage planning process against the Wholesale Market Objectives (MR 3.16 to 3.21).					Major		IMO/SM/MAC MAC Working Group External Expert
Examine changes to facilitate the transfer of capacity credits/obligations in secondary markets (MR 9.4).					Major		IMO/MAC MAC Working Group
Review the appropriateness of the Energy Price Limits (MR 6.20).						Major	IMO/MAC MAC Working Group External Expert
Review the overlap/interactions between the Market Rules and the WEM Regulations and “clean up” the Rules						Minor	IMO/Legal Advice

## ATTACHMENT 2 – POTENTIAL CHANGES LOGGED BY THE IMO (NOT YET FORMALLY SUBMITTED)

Chapter	Clause	Detail	Priority
		<b>Review - Market Rule Change Processes</b>	
2	2.4 to 2.11	Several participants have commented that the rule change process takes a long time to complete. Conversely, rule changes can impose considerable regulatory risk on participants, so it is appropriate that the rule change process proceeds at a measured pace, providing sufficient time for consultation and analysis.	M
2	2.5.7(f)(iii)	6 weeks for the first round of public submissions should be changed to 30 business days for consistency with the other timelines regarding rule changes.	L
		<b>Review - Interactions between the Market Rules and Regulations</b>	
2	2.8 & 2.12 to 2.20	The Market Rules overlap the relevant Regulations in a number of instances. For example the Market Rules related to procedural review are inconsistent with Regulations 42 to 44 that deal with the same issue. There are, however, a number of other overlaps. These can be avoided by referring, in the Market Rules, to the processes that are set out in the Regulations.	M
		<b>Review - Allowable Revenue Processes</b>	
2	2.23 & 3.13	The relevant Market Rule provisions were developed assuming that System Management budget for ancillary services would cover Western Power's costs. However, with the disaggregation of Western Power and with the IMO actually funding ancillary services these provisions would have to be reviewed. For instance, while it is still important to set the total ancillary services costs for the market, these need to be separated from System Management budgetary processes.	M
		<b>Review - Intermittent Loads</b>	
4	4.28.8 & 4.28.8B	Review the provisions related to the Intermittent Load maximum nominated Reserve Capacity Requirements to ensure that the Rules cannot be misconstrued as allowing participants to completely avoid IRCR charges for Intermittent Loads by setting the requirements to either 0 or a number lower than the actual requirement of the loads in the event of a generator failure.	H
4	4.28.8 & 4.28.9	<p>Given that the Meter Schedules for loads determined in accordance with 2.30B are artificially flat, it seems likely that if the Rules were to be changed it would likely be to unambiguously rule out those loads being considered non-Temperature Dependent.</p> <p>This can be done by amending 4.28.8 (a) as follows:</p> <ul style="list-style-type: none"> <li>- 4.28.8 (a) a list of interval meters associated with that Market Customer that the Market Customer wants the IMO to treat as Non-Temperature Dependent Loads, where those interval meters may not also measure Intermittent Load;</li> </ul> <p>or alternately by amending 4.28.9 by adding</p> <ul style="list-style-type: none"> <li>- 4.28.9 (aA) does not also measure Intermittent Load; and</li> </ul>	H

Chapter	Clause	Detail	Priority
4	4.28A.1	Consider removing 4.28.A1 (b). However, we need to ensure that removing the maximum refund for intermittent loads, clause 4.28A.1 (b), will not be offset by the change capping the refund to the amount of Capacity Credits assigned to the facility in question, eg making the max refund 0 anyway. Alternatively we may amend 4.28.A1 (b) instead to just say that the maximum refund for an intermittent load is not capped. This would mean that intermittent loads get refunds each time they draw more than their associated generator produces.	H
2	2.30B.3	The clause refers to an intermittent load providing data when it should be the Rule Participant associated with that intermittent load.	L
		<b>Review - Prudential Requirements and Default provisions</b>	
9	9.24	While clause 9.24.1. provides that in the event that a Market Participant fails to make a payment under the Market Rules to the IMO before it is due, then the IMO <b>may</b> draw upon any Credit Support in relation to that Market Participant to meet the payment, the rest of the cluses in section 9.24 do not appear to provide for a similar discretion, say, whether to "short pay" the market in the event of a payment default. This could lead to potential breaches of the Market Rules by the IMO even where the outstanding amounts are very small (i.e. a few dollars).	H
9	9.23.3	Related to the other prudential issues, 9.23.3 says 'If a Rule Participant becomes aware that a suspension event has occurred in relation to it, then the Rule Participant must promptly notify the IMO, giving full details of the event. This is a Cat B civil penalty provision.  The clause could be modified to say that the participant must report on any event they know of, unless the IMO has already contacted it on this issue or something similar.	M
2, 9	2.38.3, 9.23.4, 9.23.5	Clause 9.23.5 gives the IMO discretion to extend the deadline after issuing a Cure Notice according to 9.23.4, but there is no similar discretion in clause 2.38.3. A breach of 2.38.3 can attract a cat B civil penalty. Any extension according to 9.23.5 or 6 should also apply to 2.38.3.  Having 2.38.3 placing an obligation for the participant to top up any credit support within 1 Business Day and 9.23.4 saying that the IMO must issue a Cure Notice if we draw on Credit Support requiring top up within 24 hours is confusing, especially if we can extend the time for one (9.23.4) but not the other (2.38.3). A participant must follow 2.38.3 regardless of the IMO issuing the Cure Notice or not, so 9.23.4 does not apper to have a practical implication in regard to 2.38.3.	M

Chapter	Clause	Detail	Priority
2	2.41.2 and 2.41.3	<p>Change Trading Margin to Trading Limit in 2.41.2 and 2.41.3. The Trading Margin is the amount by which a participant's Trading Limit exceeds their Outstanding Amount. Currently Market Rule 2.41.2 states that participants may not make submissions which could result in their Trading Margin being exceeded. This would be logical if the term used was Trading Limit. The clause as it stands could be interpreted as meaning that transactions that increase the Trading Margin are prohibited. This would forbid any transaction that reduces prudential risk to the market, which would be clearly perverse.</p> <p>The clauses also use the term "could result", which is an unnecessarily loose test given the deterministic nature of the expected value guidelines. It is proposed to change this to "would result" to reduce uncertainty for participants.</p>	M
2	2.37.4	Prudential assessment criteria should include reserve capacity in the list of items that must be considered (though implicitly accounted for by the requirement to assess the amount owing).	L
		<b>Review - Outage Planning</b>	
3	3.16 to 3.21	From time to time the IMO, with the assistance of System Management, will conduct a review of the outage planning process against the Wholesale Market Objectives. The review will include a technical study of the effectiveness of the outage planning criteria in the Market Rules and a broad consultation process with Rule Participants.	L
3	3.21A	Amendments to this clause need to be made to require System Management to advise the IMO of a Commissioning Trial commencement time.	H
3	3.21	Clause 3.21 does not specifically state that SM must change the outage status of a facility if a participant fails to do so itself and it should. System Management is required to notify the IMO of any outage it is aware of under 7.3.4 (prior to the STEM), but a clear ex-post obligation needs to be included. This needs to be addressed else participants could choose to take the risk of Civil Penalties and simply not to declare forced outages.	M
3	3.18.5A	3.18.5 relates to timelines, 3.18.5A relates to prioritisation of outages, but the opening words of 3.18.5A seem redundant and potentially confusing given the content of 3.18.5(b).	L
		<b>Review - Reserve Capacity Application Timeframes</b>	
4	4.1 & others	<p>The view has been put forward that the two-year reserve capacity cycle is too short compared with the lead time for some projects, and that financiers do not accept conditional certification, which can be obtained more than two years in advance, as sufficiently secure.</p> <p>These issues are clearly important for allowing new entry and so promoting competition; and for facilitating different types of projects, energy options and technologies. Further, electricity transmission issues may take longer to resolve than allowed for under the current timeframe.</p>	H

Chapter	Clause	Detail	Priority
4		We also need to review whether the Market Rules need to be enhanced to ensure that newly commissioned plant can prove its reliability before the start of the "hot season" in the year for which it commissions. Need to examine whether it is appropriate to require such plant to be commissioned by, say, 1 August, rather than 30 November.	H
		<b>Review - Supplementary Capacity</b>	
4	4.13.11	Clause 4.13.11 describes how Reserve Capacity security claimed by the IMO is paid back to the market. The basic approach is fine but there are issues over timing. For example, the rules contemplate using it to offset the cost of supplementary capacity but these costs may have been incurred long before the security is obtained. Hence, this may need to be implemented as a settlement adjustment.	H
4	4.24.3	Eligible Services for Supplementary Capacity. Could this be re-written to include a class (c) which would be: registered facilities for which the level of Certified Reserve Capacity or Capacity Credits assigned for future years is higher than that currently assigned.	H
4	4.28.3	Supplementary capacity is funded by participants who are paying the IMO for capacity credits (i.e. not trading bilaterally). But if supplementary capacity is procured to cover a major generator outage and the generator still has capacity credits then the participant being supplied by that capacity is protected from that cost but others carry the cost. In this case it may be worth spreading the cost across all market customers (as a form of insurance)	H
		<b>Other Potential Changes Registered by the IMO, by Chapter</b>	
2	2.13.6 & 2.13.8(b)	It is not entirely clear how System Management is to notify the IMO about a Participant Rule Breach: 2.13.6 indicates in accordance with Monitoring and Reporting Protocol, whereas 2.13.8 (b) indicates in accordance with 2.13.4. 2.13.8 is actually the more important clause for reporting. Suggest that 2.13.6 be modified to remove reference to reporting	M
2	2.29	The rules do not place any lower limit on the size of an intermittent or curtailable load (Reserve capacity is certified in blocks of 0.001 MW so this places a natural lower limit)	M
2	2.30.3 and 2.30.5(d)	Delete the reference to 2.30.3 from 2.30.5(d) so as to remove any confusion that a facility aggregated for Reserve Capacity participation must be aggregated in the energy market. Reword 2.30.3 so as to be entirely self contained	M
2	2.30A.2	The wording of this clause is confusing. The correct wording should indicate that the shutdown rate should not exceed 15MW/min. That is, remove the text about "the installed capacity divided by" from the clause.	L
2	2.34	The rules do not appear to explicitly allow the IMO to require tests of standing data where it believes the data is no longer accurate. The IMO can demand it is changed under 2.34.11, but 2.34.6 which talks about tests specifically refers to data updated by participant under 2.34.3, and says nothing about data required to be updated by the IMO requiring it. We may want to look at modifying this, either by adding a reference to 2.34.11 to 2.34.6, or by modifying 2.34.6 to mention tests. We may also want to think about whether some data might need to be periodically retested (such as, say, data related to plant providing Ancillary Services), even where the IMO has no specific evidence of a change.	M

Chapter	Clause	Detail	Priority
3	3.8.2(c)	This is a Civil Penalty that relates to System Management. Should be changed to: 3.8.2 (c ) Rule Participants other than System Management must comply with any request by the IMO for a report under paragraph (b). 3.8.2 (cA) System Management must comply with any request by the IMO for a report under paragraph (b).	L
4	DSM and IRCR	Need to make sure that generation/DSM (new and old) being used to reduce a participant's IRCR cannot also be paid for supplementary reserve capacity.	M
4	4.3.1d	Number of capacity credits which the IMO expects will be bilaterally traded in the EOI document is difficult to forecast, and impractical to do. We can report on the number of Capacity Credits that were "intended to be Bilaterally Traded, from the Bilateral Trade Declaration process, but this would require different wording. Failure to comply will mean a rule breach. Possibly remove this requirement.	M
4	4.11.2 and 4.11.3A	When the rules on certification of intermittent generators were changed to look at a 3 year average of output, one impact was missed. The rules allow a scheduled generator to nominate to use that method if it does not want the IMO to use its normal method. The solution could be to reinstate the original 4.11.3 and change the reference in 4.11.2 to 4.11.3. (This may be why 4.11.3 was left in originally)	L
4	4.12.1(a)(ii)	It is possible for a participant with both generation and load to appear to cover its reserve capacity obligation by counting its offers not cleared when those offers actually reflect its own load which it is supplying. Hence it can reduce its resource plan supply so as NOT to cover its reserve capacity obligations without getting a reserve capacity refund (but will get energy market shortfalls). 4.26.2(b)ii was corrected but 4.12.1(a)ii is still to be corrected.	H
4	4.12.6	Clause 4.12.6 could be updated to reflect the pro-rating approach for adjusting obligations if capacity credits change (and recognising both increases and decreases in capacity credits)	L
4	4.1.20 and 4.13.10	These two rules are inconsistent in that security deposits must be returned in about 3 days in the case of capacity credits not being procured under 4.1.20 but not more than 5 business days under 4.13.10.	H
4	4.13.10	Reserve Capacity Security must be returned within 5 Business Days of meeting 100% of its Reserve Capacity Obligation Quantity. This is impractical for the IMO to manage, because it means we have to monitor every trading interval for new units. The solution would be to change the Rule to say that within 5 Business Days of being notified by a Market Participant that the facility has met its RCOQ, the IMO must determine if it has met the RCOQ and return security if 100% of RCOQ has been met.	H
4	Reserve Capacity	Need to clarify treatment of incremental increases in certified capacity with respect to certification and security deposits. Increasing capacity should increase deposits.	L
4	Chapter 4	The reserve capacity auction price is the price of the highest price offer cleared. But the rules fail to address what the price will be if there are no offers. The price should really be the maximum reserve capacity price. This is something we could address in the context of having the 85% factor on the price if no auction is held updated. (e.g. if no auction is held, or no capacity is scheduled in the auction, then price equals 85 % of the Maximum Reserve Capacity Price)	L

Chapter	Clause	Detail	Priority
4	4.21	We need to cover the possibility that when we swap a high Reserve Capacity offer price for a lower RC offer price in the auction that the facility is new. Under current rules it will get a LT SPA linked to the auction price and for the first year a ST SPA for the difference between its offer price and the auction price. We should streamline this so its LT SPA is effectively based on its offer price. Alternatively, we could prevent the swap if it would create the possibility of entering into a LT SPA. (though the only existing facilities likely to be in the auction are old ones considering decommissioning)	L
4	4.21.1 & 4.22.6	<p>A related issue is that there is a scenario where a facility involved in a manual swap in the auction process may theoretically be subject to BOTH a short term and a long term special price arrangement simultaneously. We need rules allowing us to specify a single short or long term instrument to achieve the desired result for the first year.</p> <p>Note that 4.21.1(c) states that a ST SPA cannot cover capacity already covered by a LT SPA – hence we are ok from a rules perspective but force a high cost provider to either take an ST SPA for one year and no LT SPA, or to take up LT SPA and accept that cannot fully recover offer costs.</p> <p>Need to modify rules. In 4.21.1(c) for short term and 4.22.6 for long term (which go some way but need to include a condition like 4.22.4(b)). The Network Control Service contracts define reductions related to them, but need to do something on these to be clear.</p>	L
4	4.25.2(a)	Rule refers to verification by observation based on Metered Schedules. Working through this definition, it is a loss adjusted value. To remove doubt, the Rules should be specific and possibly refer to the un-loss adjusted metered schedules, or raw sent-out metered schedules	M
4	4.25.6 & 4.26.4	There are no timing provisions for the IMO to change the number of Capacity Credits for a facility if the Market Participant requests a retest under 4.25.6. Also, under 4.25.4, it would be useful to have the words, "from the date following the date the IMO determines the facility to have failed the RC Test... (or similar), because often there is a delay in getting meter data or temperature data to assess the outcome of the test.	M
4	4.25	Potential gaming issue around reserve capacity tests – between failing an initial test and getting retested on Participant application it could skip the peak season. Should put a time limit on final retest or make the reduction in capacity credits discretionary on the IMO or require the relevant Participant to refund the lesser of the payments already made for the year to date or the maximum refund they could pay from that time.	L
4	4.26	The refund table states that intermittent generators get refunds if late, but no refund once commissioned. But clause 4.12.4(aA) states that their obligation quantities are zero. Then they cannot get refunds prior to commissioning (except if declared to be on forced outage). Some options are to define RCOQ = capacity credits prior to commissioning, or to declare them to be on forced outage if late.	H



Chapter	Clause	Detail	Priority
6	Resource plan	<p>The Market Rules refer to participants making a Resource Plan Submission, participants submitting Resource Plan Submission data, and of participants submitting a Resource Plan. The intention seems to be to create a situation where the IMO is responsible for revising the submission, and is only compelled to do so inside a certain window. The assumption that a participant can only provide Resource Plan Submission data but not actually a Resource Plan Submission or a Resource Plan may not be sound given the definition of the terms.</p> <p>6.5.1 gives the option (with “may”) of submitting Resource Plan Submission data inside a window. It does not exclude the possibility of submission outside that window.</p> <p>6.5.1A does not mandate that market participants comply with 6.5.1. It also leaves open the possibility that a Standing Resource Plan Submission may be made which is then accepted, even though this never becomes a Resource Plan Submission.</p> <p>Clause 6.5.4 requires the default Resource Plan to be prepared at 1PM, while under 6.5.1 (b) the window may remain open until 3PM – this is not the intention, and is inconsistent with the system’s implementation.</p> <p>6.5.3A is redundant. It is also imprecise: the word ‘may’ should have been ‘must’, ‘submission’ should have been Resource Plan Submission, and the clause should be in active voice.</p> <p>6.5C.6. allows a participant to submit valid Resource Plan Submission data on the Scheduling Day – but does not require compliance with 6.5.1.</p> <p>6.5C.7. makes submitting valid Resource Plan Submission data mandatory where a Standing Resource Plan is inconsistent with NCP – even in the case that the participant is not otherwise obliged to submit a resource plan.</p> <p>6.11.2 defines Resource Plan Submission validity. It does not allow for the tolerance we apply in validating the NCP, which is over 10% for some participants. These submissions may currently be invalid under the Rules.</p> <p>The definition of Resource Plan Submission does not include this concept of the IMO revising a Resource Plan Submission based on Resource Plan Submission data.</p>	M

Chapter	Clause	Detail	Priority
6	6.7.3 & 6.7.4	<p>A similar approach to that contemplated by these clauses could be adopted by a Market Generator with its own demand. Further this could be used by a Market Generator to maximise output from its generators. In this scenario a Market Generator would overstate its own demand, schedule its generators then in real time consume its true demand and sell the quantity deviation in the balancing market. Further this could be used by a Market Generator to maximise output from its generators. Verve will have to reduce its generation, and will end up paying MCAP for the amount of the reduction. Hence Verve would be most vulnerable to this tactic in periods of high prices – when Market Generators have the most incentives to practice this behaviour.</p> <p>The trouble is that 6.7.3 and 6.7.4 do not forbid this behaviour at the most convenient point to practice it: the resource plan. 6.7.3 says that inflation of bilateral quantities is not allowed, and 6.7.4 says that inflation through the NCP is not permitted. Adding own demand at the resource plan level would not fall under either clause.</p>	L
6	6.11	You could argue that the IMO is breaching 6.5.2 if it rejects a submission with a negative shortfall. The intention, based on the use of the word "shortfall", seems to be that the quantity must be positive. This will require analysis for Rules impact, as there is nothing stopping a generator being the recipient of a large bilateral contract and ending up with an excess relative to their net contract position.	M
6	6.11.2	Add a new clause or modify 6.11.2 to say that a Resource Plan of 0 when undergoing a Commissioning Test is not to be considered a Resource Plan Submission for the Facility under clause 6.11.2	M
7	7.2.2	This currently refers to load to be met by scheduled generators ---it has been suggested to change it to total load.	L
7	7.6.3	It would be clearer that non-EGC liquid facilities can be used instead of EGC liquid facilities if MR 7.6.3 were modified to read "Where meeting the criteria in clause 7.6.1 and 7.6.2 would otherwise require the use of ...".	L
Appendix 1	Appendix 1	We only require that an aggregate be entered for non-registered load. The rules talk, however, about each point.	L
Appendix 1	Appendix 1	2.34.14 identifies standing trading submissions as standing data – but only standing STEM submissions are included in Appendix 1.	L
Appendix 2	Appendix 2	We currently charge embedded generators based on meter data at their interface with the system. However, this may not be strictly with the Market Rules and may not be equitable or reflective of the true cost on the market in certain circumstances.	M
Appendix 5	Appendix 5	We have to introduce a tie breaking rule for the circumstances where demand is exactly the same for two or more days/intervals in the calculation of the 12 "peak intervals".	H
Appendix 5	Appendix 5	Change the rules to clarify that all meters, including the notional meter, used for the IRCR calculations are not loss adjusted.	M
Appendix	Appendix 5	Non-temperature dependent loads and intermittent loads get allocated IRCR first (based on non-loss adjusted meter data) with other loads getting the remainder. This implies that other loads cover capacity costs of losses. If losses are small then this will have a negligible effect	L

