

Independent Market Operator



Market Rule Change Report

Title: Synchronisation Approval

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Independent Market Operator

Level 22, The Forrest Centre
221 St George's Terrace, Perth WA 6000
PO Box 7096, Cloisters Square, Perth WA 6850
Tel. (08) 9254 4300
Fax. (08) 9254 4399
Email: imo@imowa.com.au
Website: www.imowa.com.au

1 INTRODUCTION

1.1 General information about Rule Changes

Clause 2.5.1 of the Wholesale Electricity Market Rules provides that any person (including the Independent Market Operator) may make a rule change proposal by completing a Rule Change Proposal Form and submitting this to the Independent Market Operator (IMO).

In order for the proposal to be progressed, the change 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
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used

A rule change proposal can be processed using a Standard process or a Fast Track process. The Standard process involves a combined 10 weeks public submission period. Under the shorter Fast Track process the IMO consults with Rule Participants who either advise the IMO that they wish to be consulted or the IMO considers have an interest in the change.

1.2 About this Rule Change

On 30 March 2007, System Management submitted to the IMO a Rule Change Proposal titled Synchronisation Approval.

The proposal was processed by the IMO, using the Fast Track Rule Change Process, described in section 2.6 of the Wholesale Electricity Market Rules. The Fast Track Process adheres to the following timelines, outlined in section 2.6 of the Market Rules:

- Within 5 Business Days of a Rule Change Notice being published, the IMO must notify any Rule Participants that the IMO intends to consult regarding the rule change

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- Within 5 Business Days of the Rule Change Notice being published, any Rule Participant wishing to be consulted may contact the IMO to request consultation on the rule change
- Within 15 Business Days of the Rule Change Notice being published, all consultations must be concluded
- Within 20 Business Days of the Rule Change Notice being published, the IMO must publish a Final Rule Change report.

The key dates in processing this Rule Change were:

- The Rule Change Notice for this proposal was published on the IMO website on 3 April 2007
- The IMO notified Verve Energy that the IMO wished to consult with it on 4 April 2007
- While no other Rule Participants contacted the IMO requesting consultations, the IMO received a written submission on the proposal from Alinta Sales Pty Ltd on 10 April 2007
- During the consultation period the IMO conducted further consultation with System Management on the change
- The consultation on the Rule Changes proposed by System Management was completed on 18 April 2007
- The IMO published, on 20 April 2007, a consultation paper seeking Rule Participant views on a number of modifications to the proposed changes resulting from issues raised during the consultation process
- Rule Participants were invited to provide their views on these changes by 26 April 2007
- This Rule Change Report is published on 30 April 2007

The IMO's decision is to accept the Rule Change Proposal in the modified form outlined in section 4 of this report. This document is the Final Rule Change Report on the Rule Change Proposal prepared by the IMO in accordance with clause 2.6.4 of the Market Rules.

The proposed amendments to the Wholesale Electricity Market Rules, clauses 7.9.1, 7.9.2, 7.9.4, 7.9.5, 7.9.6, 7.9.8, 7.9.11 and 7.9.12, will commence at **08.00am on 10 May 2007**.

2 THE RULE CHANGE PROPOSAL

2.1 Submission details

Name: Alistair Butcher
Phone: 9427 5787
Email: Alistair.butcher@westernpower.com.au
Organisation: System Management
Date submitted: 2007-03-30
Urgency: 3 - high
Change request title: Synchronisation Approval

2.2 The proposal

System Management submitted that an unauthorised synchronisation or desynchronisation of a scheduled generator can severely affect the security of supply in the SWIS. In order to maintain system security in the SWIS, System Management needs to know when a plant will be synchronised or desynchronised. Failing to notify System Management is a breach of the Market Rules and carries a category C civil penalty (maximum of \$100,000).

Clause 7.9.1 of the Market Rules, which requires that System Management be contacted prior to a scheduled generator being synchronised, does not currently apply to the Electricity Generation Corporation (Verve Energy). Clause 7.9.1 currently states:

Subject to clause 7.9.2, if a Market Participant (other than the Electricity Generation Corporation) intends to synchronise a Scheduled Generator, then it must confirm with System Management the expected time of synchronisation

- (a) *at least one hour before the expected time of synchronisation; and*
- (b) *must update this advice five minutes before synchronising.*

Similarly, clause 7.9.5 of the Market Rules, which requires that System Management be contacted prior to a scheduled generator being desynchronised, does not currently apply to Verve Energy. Clause 7.9.5 currently states:

Subject to clauses 7.9.6 and 7.9.6A, if a Market Participant (other than the Electricity Generation Corporation) intends to desynchronise a Scheduled Generator, then it must confirm with System Management the expected time of desynchronisation

- (a) *at least one hour before the expected time of desynchronisation; and*
- (b) *must update this advice five minutes before desynchronising.*

In order for Market Participants to be treated on an equal basis, and recognising that synchronising and desynchronising plant without System Management's approval has the potential to affect power system security, System Management proposed that the relevant clauses be amended to remove the exemption which applies to Verve Energy.

System Management requested that this rule change be progressed under the Fast Track Rule Change Process (section 2.6 of the Market Rules), on the grounds that the criterion in clause 2.5.9(c) of the Market Rules was satisfied. That is, the change was urgently required and is essential for the safe, effective and reliable operation of the market or the SWIS.

2.3 Amending rules proposed by System Management

System Managements proposal was to amend clause 7.9.1. The proposed changes are shown in bold, removing the exemption for the Electricity Generation Corporation:

- 7.9.1. Subject to clause 7.9.2, if a Market Participant ~~(other than the Electricity Generation Corporation)~~ intends to synchronise a Scheduled Generator, then it must confirm with System Management the expected time of synchronisation
- (a) at least one hour before the expected time of synchronisation; and
 - (b) must update this advice five minutes before synchronising.

System Management also proposed to amend clause 7.9.5. The proposed changes are shown in bold, removing the exemption for the Electricity Generation Corporation:

- 7.9.5. Subject to clauses 7.9.6 and 7.9.6A, if a Market Participant ~~(other than the Electricity Generation Corporation)~~ intends to desynchronise a Scheduled Generator, then it must confirm with System Management the expected time of desynchronisation
- (a) at least one hour before the expected time of desynchronisation; and
 - (b) must update this advice five minutes before desynchronising.

2.4 The IMO's initial assessment of the proposal

System Management submitted that the Rule Change Proposal was essential for the safe, effective and reliable operation of the SWIS and was therefore urgently required.

The IMO assessed the proposal and decided to proceed with it on the basis of its preliminary assessment which indicated that the proposal would further the Market Objectives. This preliminary assessment was published in a Rule Change Notice on 3 April 2007.

System Management submitted that synchronising or desynchronising plants without System Managements approval may adversely affect power system security. The IMO considered that the proposal satisfied the requirements of clause 2.5.9 (c).

Clause 2.5.9 states:

The IMO may subject a Rule Change Proposal to the Fast Track Rule Change Process if, in its opinion, the Rule Change Proposal:

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- (a) *is of a minor or procedural nature; or*
- (b) *is required to correct a manifest error; or*
- (c) *is urgently required and is essential for the safe, effective and reliable operation of the market or the SWIS.*

The IMO decided to process this Rule Change Proposal using the Fast Track Process, described in section 2.6 of the Wholesale Electricity Market Rules.

3 CONSULTATION WITH RULE PARTICIPANTS

The Fast Track Rule Change process involves a 3 week consultation period, instead of the combined 10 week public submission period involved in the Standard Rule Change process.

Consultations regarding this Rule Change Proposal were held with the following Rule Participants:

- The Market Advisory Committee
- Verve Energy
- System Management
- Alinta (submission)

No objections were expressed by the Rule Participants consulted. Following is a summary of the consultations.

3.1 Market Advisory Committee

The Market Advisory Committee (MAC) was invited to have preliminary discussions on the proposal at its meeting on 28 March 2007, before it was formally submitted by System Management. The general consensus of MAC was that Verve Energy should not be excluded from seeking approval from System Management when synchronising or desynchronise its plants. MAC considered that it would be prudent to Fast Track the proposal, following the submission of an official Rule Change Proposal.

3.2 Verve Energy

During the preliminary MAC discussions, Verve Energy indicated that it contacts System Management when synchronising or desynchronising plants. Therefore, the proposed changes are not expected to have an impact on Verve Energy's current operating procedures.

During the consultation process Verve Energy agreed, in principal, with the intention of the proposed Rule Change and that its advent will facilitate the achievement of the Market Objectives. However, it raised some concerns regarding the need to implement additional consequential changes resulting from the changes to clauses 7.9.1 and 7.9.5 proposed by System Management. Verve Energy's concerns and the resulting consequential changes are described in section 4.1 of this Report.

3.3 System Management

The IMO conducted some further consultations with System Management regarding Verve Energy's concerns and the proposed solutions to address them. The outcome of these consultations is outlined in section 4.1.

3.4 Alinta Sales Pty Ltd

Alinta provided a written submission in which it indicated that it agreed with System Management's proposal and considered that the change will facilitate achievement of Market objectives a) *to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system* and b) *to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors.*

4 THE IMO'S ASSESSMENT AND DECISION

4.1 Assessment

4.1.1 *The originally proposed change to clauses 7.9.1 and 7.9.5*

No participant expressed objections to the changes proposed by System Management. The IMO agrees with the assessment outlined in System Management's proposal that synchronising or desynchronising plants without System Management's approval may adversely affect power system security. The IMO considers, therefore, that it is appropriate to apply the requirement to inform System Management of plant synchronisation and desynchronisation to all participants.

4.1.2 *Additional changes to improve equality of the provisions*

During the consultations on the proposed changes, Verve Energy expressed concern about the references to clauses 7.9.2 and 7.9.6 in clauses 7.9.1 and 7.9.5. Both clauses 7.9.2 and 7.9.6 refer to Dispatch Instructions, which do not apply to Verve Energy. These clauses provide exemptions to the notification requirements in clauses 7.9.1 and 7.9.5 in cases when System Management has issued a Dispatch Instruction to a participant. The current clause 7.9.2 and 7.9.6 read:

7.9.2. *Clause 7.9.1(a) does not apply where System Management has issued a Dispatch Instruction to the Facility that requires synchronisation within one hour of the Dispatch Instruction being issued.*

7.9.6. *Clauses 7.9.5(a) and 7.9.6A do not apply where System Management has issued a Dispatch Instruction to the Facility that requires desynchronisation within one hour of the Dispatch Instruction being issued.*

Verve Energy, due to its position as the balancing generator in the SWIS, is not issued Dispatch Instructions by System Management. Therefore, clauses in section 7.9 of the Market Rules, relating to Dispatch Instructions, do not apply to Verve Energy. However, Verve Energy can be issued instructions by System Management under clause 7.6A.3(a). These instructions can direct Verve Energy facilities to deviate from the Dispatch Plan, or to change their commitment or output, in accordance with the Dispatch Criteria or in response to a High Risk Operating State or an Emergency Operating State.

In order to treat all participants on an equal basis, instructions issued to Verve Energy should be treated in the same way as Dispatch Instructions issued to other participants for the purpose of section 7.9. Therefore, the IMO considers that additional changes, to address the concerns raised by Verve Energy and ensure consistency within section 7.9, are necessary. The IMO considers that clauses 7.9.2 and 7.9.6 as well as clauses 7.9.4 and 7.9.8 should be amended to achieve this:

- Clauses 7.9.2 and 7.9.6 will be amended to include instructions issued by System Management to Verve Energy under clause 7.6A.3(a). This will allow instructions issued by System Management to Verve Energy to be treated on an equal basis to Dispatch Instructions issued to other participants and

provide equal exemptions for all participants with respect to clauses 7.9.1(a), 7.9.5(a) and 7.9.6A.

- Further, clauses 7.9.4 and 7.9.8 will also be amended to include instructions issued to Verve Energy under clause 7.6A.3(a). This will allow instructions issued to Verve Energy to be treated on an equal basis to Dispatch Instructions issued to other participants, when System Management considers whether to grant permission to participants to synchronise or desynchronise.

The current clauses 7.9.4 and 7.9.8 read:

- 7.9.4. *System Management must grant permission to synchronise unless:*
- (a) *the synchronisation is not in accordance with the relevant Resource Plan or Dispatch Instruction; or*
 - (b) *System Management considers that it would not be able to meet the criteria set out in clause 7.6.1 were synchronisation to occur.*
- 7.9.8. *System Management must grant permission to desynchronise unless:*
- (a) *the desynchronisation is not in accordance with the relevant Resource Plan or Dispatch Instruction; or*
 - (b) *System Management considers that it would not be able to meet the criteria set out in clause 7.6.1 were desynchronisation to occur.*

4.1.3 Additional changes regarding inability to comply with clause 7.9.5

In addition, Verve Energy expressed concerns with the notification requirements in clauses 7.9.1 and 7.9.5, which require a one hour advance notice to System Management when synchronising or desynchronising a facility.

While the notification requirements should not generally present a problem for synchronisation events, Verve Energy noted that there may be times when that notice may not be possible for desynchronisation events, for example in a case of emergency. Though such a situation may be appropriately dealt with by the rules pertaining to forced outages, there would still be a risk of incurring civil penalties for breaches of clause 7.9.5, due to not providing System Management with the advance notices stipulated in that clause.

The IMO agrees that participants should not incur penalties when not being able to comply with clause 7.9.5, if such compliance would endanger the safety of any person or damage equipment.

Clause 7.9.11 currently allows exemptions from penalties in cases when a participant has sought System Management's approval to desynchronise its plant but, due to an emergency situation occurring, is not able to comply with System Management's decision to reject its application. In these cases, clause 7.9.12 allows the participant to inform System Management of the desynchronisation after the event.

Clauses 7.9.11 and 7.9.12 currently read as follows:

- 7.9.11. *A Market Participant is not required to comply with clause 7.9.10 if such compliance would endanger the safety of any person, damage equipment, or breach any applicable law.*
- 7.9.12. *Where a Market Participant cannot comply with a decision of System Management under clause 7.9.8:*
- (a) *the Market Participant must inform System Management as soon as practicable; and*
 - (b) *if System Management refused to allow desynchronisation of a Facility but the Market Participant did desynchronise that Facility then System Management must record the desynchronisation as a Forced Outage.*

To address the issue raised by Verve Energy, the IMO considers that clause 7.9.11 should be amended to also account for inability of participants to comply with clause 7.9.5 in the circumstances described in clause 7.9.11. However, the IMO considers that participants should be required under clause 7.9.12 to inform System Management as soon as practicable after plant is desynchronised in those circumstances.

4.1.4 Consultations on the Additional Changes

System Management and Verve Energy were consulted on the additional changes to section 7.9. Both parties expressed their support of the proposed amendments.

The IMO also invited all Rule Participants to provide their views on these additional changes resulting from the initial consultation process. The IMO received responses from Alinta, Griffin Energy and the Office of Energy. All respondents expressed their support of the proposed additional changes to section 7.9.

4.1.5 The IMO's Assessment

According to clauses 2.4.2 of the Market Rules *"The IMO must not make Amending Rules unless it is satisfied that the Market Rules, as proposed to be amended or replaced, are consistent with the Wholesale Market Objectives."*

The IMO has assessed the Rule Change Proposal, in its modified form, and the following outlines its assessment against each of the Market Objectives:

- (a) *to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system*

Assessment: Synchronising or desynchronising a Scheduled Generator, without confirming an intention to do so with System Management, can adversely affect the safe and reliable operation of the SWIS. The IMO considers that the proposed changes will promote the reliable production and supply of electricity in the system and are therefore consistent with the above Market Objective.

- (b) *to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors*

Assessment: Treating all participants on an equal basis, in regard to both the requirement to notify System Management when synchronising or desynchronising their plant and any subsequent penalties when failing to do so, is expected to positively contribute to encouragement of competition and removal of barriers to entry in the market. The proposed changes are therefore consistent and likely to improve the operation of objective (b) of the Market Objectives.

- (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*

Assessment: The IMO considers that the proposed changes do not impact on, and are therefore consistent with, the operation of objective (c) of the Market Objectives.

- (d) *to minimise the long-term cost of electricity supplied to customers from the South West interconnected system*

Assessment: The IMO considers that the proposed changes do not directly impact on this objective. Their positive contribution to the encouragement of competition and removal of barriers to entry, however, is also likely to contribute to the achievement of objective (d) of the Market Objectives. The IMO also notes that there are no additional costs in implementing the changes for the IMO, for Verve Energy or any other participant. The IMO, therefore, considers that the proposed changes are consistent with the operation of objective (d) of the Market Objectives.

- (e) *to encourage the taking of measures to manage the amount of electricity used and when it is used*

Assessment: The IMO considers that the proposed changes do not impact on, and are therefore consistent with, the operation of objective (e) of the Market Objectives.

In accordance with Clause 2.4.3(b) of the Market Rules, in deciding whether or not to make Amending Rules, the IMO must also have regard to the practicality and cost of implementing the Amending Rules.

The IMO understands that Verve Energy already reports synchronisation or desynchronisation of facilities to System Management and, therefore, the Amending Rules are not expected to impact on Verve existing procedures. The IMO overall assessment indicates that there will be no other practical implications or additional costs in implementing the changes for the IMO, for Verve Energy or any other participant.

4.2 IMO's Decision

The IMO's decision is to accept the Rule Change Proposal in a modified form.

The IMO's decision is to:

- accept the changes to clauses 7.9.1 and 7.9.5, removing the current exemption applying to Verve Energy, as proposed by System Management,.
- amend clauses 7.9.2, 7.9.4, 7.9.6 and 7.9.8 to ensure participants are treated on an equal basis.
- amend clauses 7.9.11 and 7.9.12 to ensure that participants are not unduly penalised in circumstances beyond their control.

The IMO has made its decision on the basis that the resulting Amending Rules are consistent with the Wholesale Market Objectives. Further, the IMO considers that implementing the changes will allow the Market Rules to better address the Market Objectives.

The wording of the relevant Amending Rules is presented in section 5 of this Report.

4.3 Amending Rules Commencement

The amendments to clauses 7.9.1, 7.9.2, 7.9.4, 7.9.5, 7.9.6, 7.9.8, 7.9.11 and 7.9.12 of the Wholesale Electricity Market Rules will commence at **08.00am** on **10 May 2007**.

5 AMENDING RULES

5.1 Clauses 7.9.1 and 7.9.5

Clauses 7.9.1 and 7.9.5 of the Wholesale Electricity Market Rules will be amended to remove the current exemption that applies to the Electricity Generation Corporation (Verve Energy):

- 7.9.1. Subject to clause 7.9.2, if a Market Participant (~~other than the Electricity Generation Corporation~~) intends to synchronise a Scheduled Generator, then it must confirm with System Management the expected time of synchronisation:
- (a) at least one hour before the expected time of synchronisation; and
 - (b) must update this advice five minutes before synchronising.
- 7.9.5. Subject to clauses 7.9.6 and 7.9.6A, if a Market Participant (~~other than the Electricity Generation Corporation~~) intends to desynchronise a Scheduled Generator, then it must confirm with System Management the expected time of desynchronisation:
- (a) at least one hour before the expected time of desynchronisation; and
 - (b) must update this advice five minutes before desynchronising.

5.2 Clauses 7.9.2 and 7.9.6

Clauses 7.9.2 and 7.9.6 will be amended to also include instructions issued by System Management to Verve Energy:

- 7.9.2. Clause 7.9.1(a) does not apply where System Management has issued a Dispatch Instruction, or an instruction given under clause 7.6A.3(a), to the Facility that requires synchronisation within one hour of the Dispatch Instruction, or an instruction given under clause 7.6A.3(a), being issued.
- 7.9.6. Clauses 7.9.5(a) and 7.9.6A do not apply where System Management has issued a Dispatch Instruction, or an instruction given under clause 7.6A.3(a), to the Facility that requires desynchronisation within one hour of the Dispatch Instruction, or an instruction given under clause 7.6A.3(a), being issued.

5.3 Clauses 7.9.4 and 7.9.8

Clauses 7.9.4 and 7.9.8 will be amended to also include instructions issued to Verve Energy:

- 7.9.4. System Management must grant permission to synchronise unless:
- (a) the synchronisation is not in accordance with the relevant Resource Plan or Dispatch Instruction **or an instruction issued under clause 7.6A.3(a)**; or
 - (b) System Management considers that it would not be able to meet the criteria set out in clause 7.6.1 were synchronisation to occur.
- 7.9.8. System Management must grant permission to desynchronise unless:
- (a) the desynchronisation is not in accordance with the relevant Resource Plan or Dispatch Instruction **or an instruction issued under clause 7.6A.3(a)**; or
 - (b) System Management considers that it would not be able to meet the criteria set out in clause 7.6.1 were desynchronisation to occur.

5.4 Clause 7.9.11

Clause 7.9.11 will be amended so participants do not incur penalties when unable to comply with clause 7.9.5 if such compliance would endanger the safety of any person, damage equipment, or breach any applicable law:

- 7.9.11. A Market Participant is not required to comply **with clause 7.9.5 or** with clause 7.9.10 if such compliance would endanger the safety of any person, damage equipment, or breach any applicable law.

5.5 Clause 7.9.12

Clause 7.9.12 will be amended to allow a participant to inform System Management after a desynchronisation results from an emergency event, instead of providing System Management with the advance notices stipulated in clause 7.9.5:

- 7.9.12. Where a Market Participant cannot comply **with clause 7.9.5, in accordance with clause 7.9.11, or** with a decision of System Management under clause 7.9.8:
- (a) the Market Participant must inform System Management as soon as practicable; and
 - (b) if System Management **did not confirm the expected time of desynchronisation or** refused to allow desynchronisation of a Facility but the Market Participant did desynchronise that Facility then System Management must record the desynchronisation as a Forced Outage.