

Independent Market Operator



## **Final Market Rule Change Report**

**Title: Provision of Information to the IMO**

Ref: RC\_2007\_15

Date: 24 September 2007

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## 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 17 August 2007, System Management submitted a Rule Change Proposal titled "Provision of Information to the IMO".

The Proposal was processed using the Fast Track Rule Change Process, described in section 2.6 of the Wholesale Electricity Market Rules. The Fast Track Process was used as the proposal satisfied the requirements of clause 2.5.9 (a) of the 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.
- 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 Proposal were:

- The Rule Change Notice for this Proposal was published on the IMO website on 27 August 2007.
- The IMO notified interested parties it wished to consult regarding the Rule Change on 20 August and 27 August 2007.
- Consultations on the Rule Change Proposal were completed on 17 September 2007.
- This Final Rule Change Report was published on 24 September 2007.

This Final Rule Change Report on the Rule Change Proposal has been prepared by the IMO in accordance with clause 2.6.4 of the Market Rules.

Based on its analysis against the Market Objectives and the responses received from interested parties, the IMO's decision is to accept the Rule Change in the form outlined in this Final Report.

The amendments to clauses 3.21.7, 7.13.1 and 7.13.1A of the Wholesale Electricity Market Rules will commence at 08.00am on 4 October 2007.

## 2. THE RULE CHANGE PROPOSAL

### 2.1. *The Submission*

System Management submitted, on 17 August 2007, a Rule Change Proposal regarding the addition of new clauses 3.21.7 and 7.13.1A, and changes to clause 7.13.1 of the Wholesale Electricity Market Rules.

#### 2.1.1. *Submission details*

Name: Alistair Butcher  
Phone: 08-9427 5787  
Email: Alistair.butcher@westernpower.com.au  
Organisation: System Management  
Date submitted: 17 August 2007  
Urgency: High – Fast Track

### 2.2. *The Proposal*

System Management submitted that currently the Market Rules require System Management to provide information to the IMO by noon of the business day following the day on which a Trading Day ends (Market Rule 7.13.1). System Management considered that there are practical difficulties with this requirement, as System Management is often unable to finalise information by this time. Under the current rules, information submitted after the time specified in clause 7.13.1 cannot be used by the IMO to settle the Market, unless a disagreement raised by a Participant results in a requirement to use the information.

System Management submitted that, for example, if a Participant does not submit a forced outage before the time indicated in Market Rule 7.13.1, the information is currently not available to market settlement. This creates a potential inequity in the Market, and functions as a disincentive for reporting forced outages in a timely fashion. As a consequence System Management may also be obliged to advise the IMO of an alleged Rule Breach to Market Rule 3.21.4.

In its proposal System Management argued that it has insufficient time to investigate possible situations whether a forced outage should have been submitted, prior to the time indicated in Market Rule 7.13.1. The result of this is:

- The forced outage is not recorded and the overall cost of electricity is increased while the capacity of the SWIS is reduced.
- Other Participants are directly disadvantaged by an increase in the costs of the Reserve Capacity Mechanism.
- The burden on the IMO, System Management and the Participant may be increased due to the investigation of an alleged breach, which also has the potential to increase costs both in the short-term and long-term.

In addition, should a situation arise that endangers Power System Security, and requires System Management to determine a quantum of Verve Energy non-compliance (as per

Market Rule 7.6A.4), the required investigation cannot be completed by the time required in Market Rule 7.13.1. This is because System Management is required to seek an explanation and any mitigating circumstances from Verve Energy.

System Management considered that, as information provided under Market Rule 7.13.1 is only used for the purposes of settling the Market, the timing provision in the Rules should be to provide the information to the IMO in time for the relevant settlement run.

System Management proposed that the time frame in clauses 7.13.1(cC) and (e) be amended to fifteen business days. This amendment will allow System Management to assist Participants in identifying situations where a forced outage notification should be made, satisfactorily conclude investigations, and ensure that the Market is settled appropriately.

Further, System Management submitted that clause 3.21 of the Market Rules does not prescribe a time limit for the finalisation of forced outage notifications from Participants. System Management proposed that a time limit of fifteen days be included which would allow System Management to finalise determination of whether an outage notification is required. This will also allow System Management to properly monitor the compliance of Participants with clause 3.21.4.

In addition to the proposed Rule Changes, the timing of a notification of a forced outage under Market Rule 3.21.4 will be clarified in the Power System Operation Procedure: Facility Outages. In summary, System Management will require immediate notification by phone (3.21.4), and will require notification via the System Management Market Information Technology System (SMMITS) within 15 days (3.21.7).

### **2.3. *The Proposal and the Market Objectives***

System Management submitted that the proposed Rule Changes are of a procedural nature, but would promote the economically efficient, safe and reliable production and supply of electricity in the SWIS.

in System Management's view, increasing the time by which System Management must provide information to the IMO would increase the accuracy of the information used to settle the market, thereby reducing the costs to Participants and the long-term cost of electricity.

Further, System Management would be able to pursue investigations and minimise the need for allegations to be made which are not well premised.

System Management submitted that an increased time would allow System Management to assist Participants in identifying situations where a forced outage should be submitted. According to System Management, this will in turn increase the overall effectiveness of the Reserve Capacity Mechanism, and may also increase the efficiency of system scheduling, thereby increasing the reliability of the SWIS.

## **2.4. Amending Rules Proposed by System Management**

The amendments proposed by System Management can be found in section 5 of this Report.

## **2.5. The IMO's Initial Assessment of the Proposal**

The IMO decided to proceed with the Rule Change Proposal on the basis of its preliminary assessment which indicated that the Proposal was consistent with the Market Objectives.

The proposal was processed using the Fast Track Rule Change process described in section 2.6 of the Wholesale Electricity Market Rules. The Fast Track Process was used as the proposal satisfied the requirements of clause 2.5.9 (a) of the Market Rules. The change was considered to be of a procedural nature, involving adjustment to the Market Rule timeframes for making outage data available for the settlement of the Market, in order to reflect what is practicable for System Management and Participants to achieve.

Section 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:*

- (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.*

### 3. RULE PARTICIPANTS CONSULTED

For this Rule Change, the IMO notified the following interested parties of its intention to consult:

- Alcoa World Alumina Australia
- Alinta Sales Pty Ltd
- Barrick (Kanowna) Limited
- Bioenergy Limited
- Economic Regulation Authority
- Eneabba Gas Pty Ltd
- Griffin Energy
- Landfill Gas and Power Pty Ltd
- Mount Herron Engineering
- NewGen Power Kwinana Pty Ltd
- Newmont Australia Ltd.
- Office of Energy
- Perth Energy Pty Ltd
- Premier Power Sales Pty Ltd
- Skyfarming Pty Ltd
- Synergy Energy
- System Management
- TransAlta Energy
- Verve Energy
- Wambo Power Ventures
- Waste Gas Resources Pty Ltd
- Water Corporation
- Western Australia Biomass Pty Ltd (Babcock and Brown)
- Western Power Corporation

In addition to IMO's notification, an invitation for Rule Participants to contact the IMO, should they wish to be consulted on this Rule Change, was published on the IMO website on 27 August 2007.

The IMO requested the interested parties to provide their views on the Rule Change in writing.

The IMO received responses from Landfill gas and Power and Synergy Energy. Below is a summary of the received feedback.

#### **3.1. Market Advisory Committee**

The Market Advisory Committee (MAC) was invited to have preliminary discussions on the Proposal at its meeting on 11 July 2007, before it was formally submitted by System Management.

MAC was in general support of the proposal by System Management.



### **3.2. Landfill Gas and Power**

Landfill Gas and Power (LGP) expressed its support of the suggested change. LGP agreed with System Management's view that the proposed changes are procedural, and that their implementation would increase the overall effectiveness of the Reserve Capacity Mechanism.

LGP considered that the changes may also increase the efficiency of system scheduling, thereby increasing the reliability of the SWIS.

### **3.3. Synergy Energy**

Synergy expressed its support for the proposed changes.

## 4. THE IMO'S ASSESSMENT AND DECISION

### 4.1. Assessment

#### 4.1.1. Consultations

All parties responding to IMO's request for consultation expressed support for System Management's proposal. No party expressed any concerns or proposed any changes to the proposed amendments to the Market Rules.

#### 4.1.2. 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' assessment against each of the Market Objectives is as follows:

*(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: Increasing the time System Management has to report forced outages to the IMO, will enable System Management to assist Participants in identifying situations where a forced outage should be submitted. This will enhance the fairness of the Reserve capacity Mechanism and the accuracy of settlement, and thus promote the economic efficiency of the Market.

The IMO considers that the proposed changes are consistent with the operation of objective (a) of the Market Objectives. In its submission, Landfill Gas and Power supported this assessment.

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

Assessment: The IMO considers that the proposed changes do not impact on, and therefore are consistent with, 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 therefore are 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: Allowing System Management sufficient time to provide the IMO with outage information that is used to settle the market, will enable forced outages to be accounted for in settlements, thus avoiding payments for generation that was not available. This will reduce the long-term cost of electricity supplied to customers while also increasing the overall effectiveness of the Reserve Capacity Mechanism.

The IMO considers that the proposed changes are consistent with objective (d) of the Market Objectives. Landfill Gas and Power supported this assessment in its submission.

*(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 therefore are 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 the proposed amendments will require minor changes to System Management's IT systems. System Management has informed the IMO that these changes will be in place by the commencement date of this rule change and that the implementation costs are covered within System Management's current IT budget.

No other implementations costs in regard to this change have been identified during the public consultations.

## **4.2. The IMO's Decision**

The IMO's decision is to:

- Accept System Management's proposed new clauses 3.21.7 and 7.13.1A, and the proposed amendments to clause 7.13.1

The IMO has made its decision on the basis that the resulting Amending Rules are consistent with the Market Objectives.

The wording of the relevant Amending Rules is presented in Chapter 5 of this Report. The amendments include a minor modification to clause 3.21.7, clarifying that it refers to calendar days.

## **4.3. Amending Rules Commencement**

The amendments to clauses 3.21.7, 7.13.1 and 7.13.1A of the Wholesale Electricity Market Rules will commence at 08.00am on 4 October 2007.

## 5. AMENDING RULES

The following clauses will be amended as follows (~~deleted wording~~, new wording):

3.21.7 Notwithstanding the requirements of clause 3.21.4 that a relevant Market Participant or Network Operator must inform System Management of a Forced Outage or Consequential Outage as soon as practical, a Market Participant or Network Operator must provide full and final details of the relevant Planned Outage, Forced Outage or Consequential Outage to System Management no later than fifteen calendar days following the Trading Day.

- 7.13.1. System Management must provide the IMO with the following data for a Trading Day by noon on the first Business Day following the day on which the Trading Day ends:
- (a) the Operational System Load Estimate in each Trading Interval in the Trading Day;
  - (b) Load Forecasts prepared by System Management in accordance with clause 7.2.1(b);
  - (c) a schedule of all of the Dispatch Instructions that System Management issued for each Trading Interval in the Trading Day by Market Participant and Facility, including the information specified in clause 7.7.3, or as agreed between the IMO and System Management;
  - (cA) a schedule of the MWh output of each generating system monitored by System Management's SCADA system for each Trading Interval of the Trading Day;
  - (cB) the maximum daily ambient temperature at the site of each generating system monitored by System Management's SCADA system for the Trading Day;
  - ~~(cC) the MWh quantity of non-compliance by the Electricity Generation Corporation by Trading Interval;~~
  - (d) a description of the reasons for each Dispatch Instruction issued, including a flag indicating where a Dispatch Instruction was issued in connection with:
    - i. any Ancillary Service Contract;
    - ii. any Balancing Support Contract;
    - iii. any Network Control Service Contract;
    - iv. any test of equipment allowed under these Market Rules; or

- v. any failure of an Electricity Generation Corporation Facility to follow the scheduling and dispatch procedures relating to clause 7.6A;
- (dA) The MWh energy dispatched under a Balancing Support Contract for each Trading Interval in the Trading Day by Facility;
- (dB) The MWh energy dispatched under a Network Control Service Contract for each Trading Interval in the Trading Day by Facility;
- ~~(e) the schedule of all Planned Outages, Forced Outages and Consequential Outages relating to each Trading Interval in the Trading Day by Market Participant and Facility;~~
- (eA) details of notifications received by System Management in accordance with clause 7.5.4;
- (eB) the estimated decrease, in MWh, in the output of each Non-Scheduled Generator, by Trading Interval, as a result of System Management Dispatch Instructions, as determined in accordance with clause 7.7.5A, where this is to be used in settlement as the quantity described in clause 6.17.6(c)(i).
- (eC) the required decrease, in MWh, in the consumption of each Curtailable Load, by Trading Interval, as a result of System Management Dispatch Instructions, as determined in accordance with clause 7.7.5D, where this is to be used in settlement as the quantity described in clause 6.17.6(d)(i).
- (f) [Blank]
- (g) details of the instructions provided to:
  - i. Curtailable Loads that have Reserve Capacity Obligations; and
  - ii. providers of Supplementary Capacity;on the Trading Day; and
- (h) the identity of the Facilities which were subject to either a Commissioning Test or a test of Reserve Capacity for each Trading Interval of the Trading Day.

7.13.1A. System Management must provide the IMO with the following data for a Trading Day by noon on the fifteenth Business Day following the day on which the Trading Day ends:

- (a) the MWh quantity of non-compliance by the Electricity Generation Corporation by Trading Interval;

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- (b) the schedule of all Planned Outages, Forced Outages and Consequential Outages relating to each Trading Interval in the Trading Day by Market Participant and Facility;