

Independent Market Operator



Final Market Rule Change Report

Title: High Risk and Emergency States Definition

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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 Rule Change Process or a Fast Track Rule Change 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 13 December 2007, System Management submitted a Rule Change Proposal regarding changes to clauses 3.4.1 and 3.5.1 of the Market Rules.

This Proposal has been processed using the Standard Rule Change Process, described in section 2.7 of the Wholesale Electricity Market Rules.

The standard process adheres to the following timelines, outlined in section 2.7 of the Market Rules:

- The Public Submission period is 6 weeks from the date the IMO has published the Rule Change Notice for the proposal.
- The IMO must publish a Draft Rule Change report within 20 Business Days of the end of the submission period.

Public Domain

- The second Public Submission period is for a minimum of 20 Business Days from the date the Draft Rule Change Report is published.
- Within 20 Business Days after the end of the second Public Submission period, the IMO must publish a Final Rule Change Report.

The key dates in processing this Rule Change Proposal are:

- The Rule Change Notice for this proposal was published on the IMO website on 21 December 2007.
- The first Public Submission period on the Rule Change Proposal ended on 1 February 2008.
- The Draft Rule Change Report was published on 29 February 2008.
- The second Public Submission period was from 29 February to 2 April 2008.
- This Final Rule Change Report is published by the IMO on 1 May 2008.

Based on the response received from interested parties, and the IMO's assessment of the proposed changes against the Market Objectives, IMO's decision is to implement the rule changes as proposed by the IMO.

This Final Rule Change Report on the Rule Change Proposal has been prepared by the IMO in accordance with clause 2.7.6 of the Market Rules.

2. THE RULE CHANGE PROPOSAL

2.1. The Submission

System Management submitted, on 13 December 2007, a Rule Change Proposal regarding changes to clauses 3.4.1 and 3.5.1 of the Wholesale Electricity Market Rules.

2.1.1. Submission Details

Name: Alistair Butcher
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Organisation: System Management
Date submitted: 13/12/2007
Urgency: Normal

2.2. Details of the Proposal

Clauses 3.4 and 3.5 of the Market Rules deal with high risk and emergency operating states, respectively.

Clause 3.4.1 currently states:

*“The SWIS is in a High-risk Operating State when System Management considers that any of the following circumstances exist, or are likely to exist within the next fifteen minutes, or are likely to exist at a time beyond the next fifteen minutes **but** actions other than those allowed under the Normal Operating State must be implemented immediately by System Management so as to moderate or avoid the circumstance:*

(a) ...”

System Management submitted that it had received advice that this provision is uncertain in its application. Accordingly, System Management sought to remedy any potential uncertainty through an amendment to clarify the intended operation of the provision. System Management submitted that there is potential for similar uncertainty with clause 3.5.1.

System Management submitted that the replacement of the current word “but” (in bold, in the extract above) with the word “and” would better reflect the intention and operation of the provision, and remove any doubt that the words after the replaced word will apply to all three limbs of clause 3.4.1.

System Management suggested that the effect of this amendment would be that a high risk operating state would exist when System Management considers that any of the items listed in clause 3.4.1(a) to (l) are confirmed (i.e. they exist, are likely to exist in the next 15 minutes, or are likely to exist at a time beyond the next 15 minutes), and also that actions other than those which can occur in a normal operating state must be implemented immediately.

System Management proposed that similar amendments should be made to clause 3.5.1 of the Market Rules, which relates to the definition of an Emergency Operating State.

In addition, System Management proposed that clauses 3.4.1(l) and 3.5.1(h) be amended further. Clauses 3.4.1(l) and 3.5.1(h) currently refer to “other circumstances having a substantially similar effect” to any of the circumstances listed previously in the relevant clauses. System Management proposed that these two provisions should be amended to reflect a more general power of System Management to enter high or emergency operating states, when the circumstances require it.

System Management suggested replacing item (l) of clause 3.4.1 with “any other circumstance which would, in the reasonable opinion of System Management, threaten Power System Security or Power System Reliability.” Item (h) of clause 3.5.1 would be amended in the same way, but with “substantially” included before “threaten”.

System Management submitted that the proposed rule change would better address objective (a) of the Market Objectives i.e. the changes as submitted would promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system. System Management submitted that the rule change would increase the certainty regarding the application of the rules.

2.3. Amending Rules Proposed by the IMO

The amending rules proposed by System Management are outlined in Section 7 of this report.

3. SUBMISSIONS RECEIVED IN THE FIRST SUBMISSION PERIOD

The first submission period for this Rule Change Proposal was between 21 December and 1 February 2008. The IMO received one submission, from Synergy, on the changes proposed by System Management. A summary of the submissions is provided below. The full text of the submission can be found on the IMO website.

3.1. *Submission from Synergy*

Synergy submitted that it viewed System Management's proposal as having some technical merit and that it did not foresee any material adverse impacts on Synergy's operations.

Synergy also accepted the System Management's view that the proposed rule change would support the Market Objective to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system.

Synergy expressed support for the proposal at that stage.

3.2. *Market Advisory Committee*

The Market Advisory Committee (MAC) was first advised of the proposed rule change at its meeting on 12 December 2007. At that meeting MAC expressed general support for this proposal. No member expressed concerns with the proposed changes.

At the MAC meeting on 13 February, members were invited to express their view on the formal Proposal. All members of MAC supported the Rule Change. No member expressed concerns with the proposed changes.

3.3. *Public Forums and Workshops*

No public forums or workshops were held in relation to this Rule Change.

3.4. *The IMO's Response to the First Round of Submissions*

No interested party expressed any concern regarding the proposed change. In its submission Synergy expressed its support for the proposal.

4. THE IMO'S DRAFT DECISION

Based on the submissions received and its assessment against the Market Objectives, the IMO's draft decision was to implement the proposed changes to clauses 3.4.1 and 3.5.1 in their original form. This would amend the Market Rules to clarify what circumstances constitute a High Risk Operating State and an Emergency Operating State.

The IMO made its draft decision on the basis that the resulting Amending Rules will allow the Market Rules to better address the Market Objectives.

5. SUBMISSIONS RECEIVED IN THE SECOND SUBMISSION PERIOD

Following the Draft Rule Change Report publication on the IMO website, the second submission period was between 29 February and 2 April 2008. The IMO did not receive any submissions during the second submission period.

The IMO therefore considers that both the proposal and the IMO's draft decision have the support of the Participants in the Wholesale Electricity Market.

6. THE IMO'S ASSESSMENT AND THE IMO'S FINAL DECISION

No interested party expressed concerns regarding the amendments to the Market Rules outlined in the Draft Rule Change Report.

6.1. The IMO's Assessment of the Rule Change Proposal

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 considers that the proposed Amending Rules will have the following impact on how the Market Rules address the Wholesale Market Objectives:

Impact	Wholesale Market Objectives
Allow the Market Rules to better address objective	a
Consistent with objective	b, c, d and e
Inconsistent with objective	-

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.*

The IMO considers that making the proposed amendments to clauses 3.4.1 and 3.5.1 will remove potential confusion about the powers of System Management in a High Risk Operating State and in an Emergency Operating State, thereby contributing to maintaining the reliable supply of electricity in the SWIS.

The IMO considers that the proposed changes will, therefore, allow the Market Rules to better address market objective (a).

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 proposed rule changes will not require changes to the Wholesale Electricity Market System operated by the IMO. No other costs have been identified in relation to this change during the submission process.

6.2. The IMO's Final Decision

The IMO's final decision is to:

- Implement the proposed changes to clauses 3.4.1 and 3.5.1 as proposed by System Management. This will amend the Market Rules to clarify what circumstances constitute a High Risk Operating State and an Emergency Operating State.

The IMO has made its decision on the basis that the resulting amended Market Rules will allow the Market Rules to better address the Market Objectives.

The wording of the relevant Amending Rules is presented in Section 7 of this Report.

6.3. *Amending Rules Commencement*

The amendments to clauses 3.4.1 and 3.5.1 of the Wholesale Electricity Market Rules will commence at **08.00am** on **2 May 2008**.

7. AMENDING RULES

The following clauses are amended (~~deleted wording~~, new wording):

3.4.1 The SWIS is in a High-risk Operating State when System Management considers that any of the following circumstances exist, or are likely to exist within the next fifteen minutes, or are likely to exist at a time beyond the next fifteen minutes; ~~and~~ but actions other than those allowed under the Normal Operating State must be implemented immediately by System Management so as to moderate or avoid the circumstance:

(a)...

...

(l) ~~any other circumstance having a substantially similar effect to any of the above occurs in connection with the SWIS.~~ any other circumstance which would, in the reasonable opinion of System Management, threaten Power System Security or Power System Reliability.

3.5.1 The SWIS is in an Emergency Operating State when System Management considers that any of the following circumstances exist, or are likely to exist within the next fifteen minutes, or are likely to exist after fifteen minutes; and ~~but~~ actions other than those allowed under the Normal Operating State or High-risk Operating State must be implemented immediately by System Management so as to moderate or avoid the circumstance:

(a) ...

...

(h) ~~any other circumstance having a substantially similar effect to any of the above occurs in connection with the SWIS.~~ any other circumstance which would, in the reasonable opinion of System Management, significantly threaten Power System Security or Power System Reliability