

Independent Market Operator



Final Market Rule Change Report

Title: System Management Capacity Test Notification to IMO

Ref: RC_2008_01

Date: 23 May 2008

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Independent Market Operator

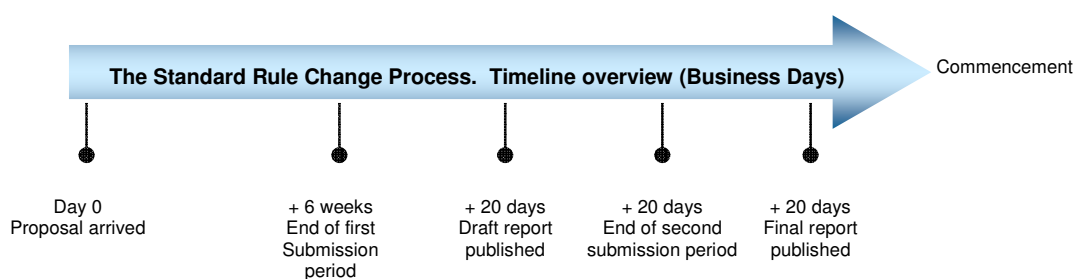
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1. INTRODUCTION

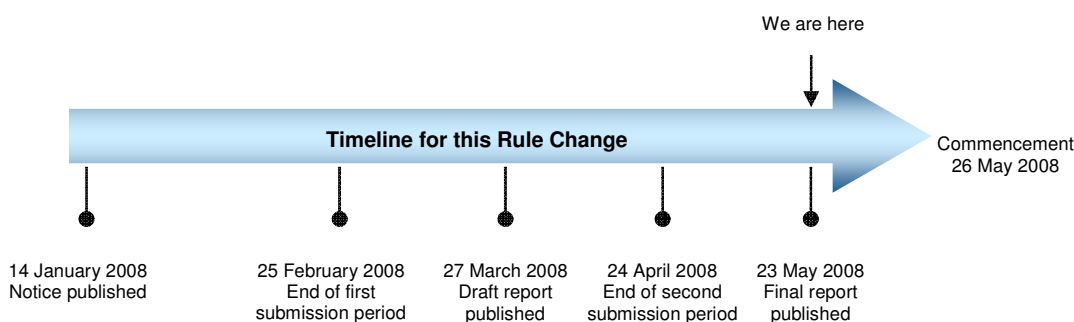
On 7 January 2008, System Management submitted a Rule Change Proposal regarding changes to clause 4.25.9(e) of the Wholesale Electricity Market Rules.

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 key dates in processing this Rule Change Proposal are:



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

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*

On 7 January 2008, System Management submitted a Rule Change Proposal regarding changes to clause 4.25.9(e) of the Wholesale Electricity Market Rules.

2.1.1. *Submission Details*

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Organisation: System Management
Date submitted: 07/01/2008
Urgency: Normal

2.2. *Details of the Proposal*

Market Rule 4.25.9 (e) states that:

In conducting a [Reserve Capacity] test, System Management:

- (a) ...
- (e) must report to the IMO whether the test was successful, and if not, report the generation achieved by the Facility during the test;

This clause currently imposes an obligation for System Management to report to the IMO whether a reserve capacity verification test was successful. System Management submitted that it is unable to comply with this obligation, as it only has access to SCADA data, rather than meter data, and in any event does not have access to temperature curves used by the IMO to compare plant performance at variable temperatures with the reserve capacity obligation at 41 degrees Celsius.

System Management submitted that this provision should be amended to more accurately reflect what System Management is able to do. System Management proposed that the clause be limited to only require System Management to report whether the test was successfully performed.

2.3. *The Proposal and the Market Objectives*

System Management submitted that the proposed Rule Change would better address objective (a) of the Market Objectives because the changes proposed 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 argued that the rule change would increase the certainty regarding the application of the rules, and aid economically efficient outcomes through the removal of an obligation which cannot be satisfied.

2.4. *Amending Rules Proposed by System Management*

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 14 January 2008 and 25 February 2008. The IMO received two submissions, from Synergy and from Landfill Gas & Power Pty Ltd (LGP), on the changes proposed by System Management. The submissions are summarised below, and the full text of the submissions is available on the IMO website.

3.1. Submission from Synergy

Synergy submitted that it viewed System Management's proposal as having some technical merit and 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 this stage.

3.2. Submission from Landfill Gas & Power Pty Ltd (LGP)

In its submission LGP supported System Management's proposal, that it should be required to report only whether a Reserve Capacity test was successfully *performed* and not to draw conclusions from the test results, on the grounds that System Management should not be required to perform activities that it cannot satisfactorily fulfill.

LGP expressed its support for System Management's contention that the rule change would increase the certainty regarding the application of the rules, and aid economically efficient outcomes through the removal of an obligation which cannot be satisfied.

3.3. Market Advisory Committee

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

At the MAC meeting on 13 February 2008, 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.

3.4. Public Forums and Workshops

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

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

No interested party expressed any concern regarding the proposed change. In their submissions both Synergy and LGP expressed 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 accept the proposed changes to clause 4.25.9(e) as proposed by System Management.

The IMO made its draft decision on the basis that the resulting Amending Rules would be consistent with 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 27 March and 24 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	
Consistent with objective	(a) (b) (c) (d) and (e)
Inconsistent with objective	

The IMO's assessment is therefore that the proposed Amending Rules are consistent with all 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 proposed rule changes will not require changes to the Wholesale Electricity Market Systems operated by the IMO. No other costs have been identified in relation to these changes during the submission process.

6.2. *The IMO's Final Decision*

The IMO's final decision is to accept the proposed changes to clause 4.25.9(e) of the Wholesale Electricity Market Rules, as proposed by System Management. With these changes the Market Rules will more accurately reflect System Management's responsibility in relation to Reserve Capacity Testing, and thereby increase the certainty regarding the operation of the Market Rules.

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

6.3. *Amending Rules Commencement*

The amendments to clause 4.25.9(e) of the Wholesale Electricity Market Rules, as set out in Section 7 of this Report, will commence at **08.00am** on **Monday 26 May 2008**.

7. AMENDING RULES

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

4.25.9 In conducting a test, System Management:

(a) ...

...

(e) must report to the IMO whether the test was successfully performed, and if not, ~~report the generation achieved by the Facility during the test;~~

8. GENERAL INFORMATION ABOUT RULE CHANGE PROPOSALS

Clause 2.5.1 of the Wholesale Electricity Market Rules (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 Market Objectives. The market objectives 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.