

The background of the lower half of the page is a photograph of a wind farm and power lines, overlaid with a semi-transparent blue filter. On the left, several white wind turbines are visible, with their blades extending outwards. On the right, a tall, lattice-structured power line tower stands prominently. The overall scene is set against a clear sky.

Independent Market Operator

**Final Market Rule Change
Report**

**Title: Provision of Intermittent
Generator Forecast
Information**

Ref: RC_2009_03

Date: 19 June 2009

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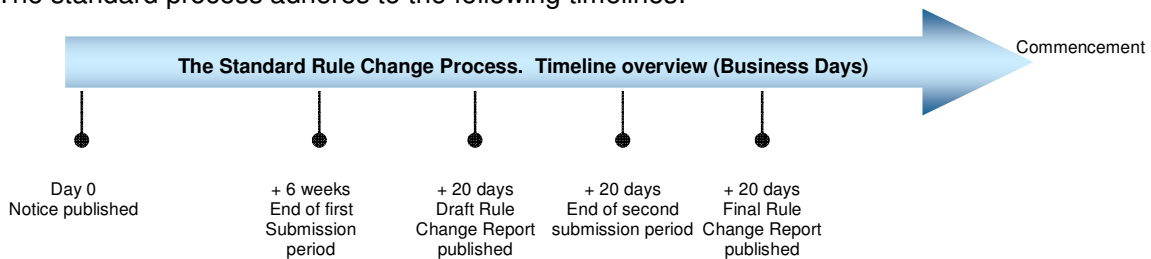


1. INTRODUCTION

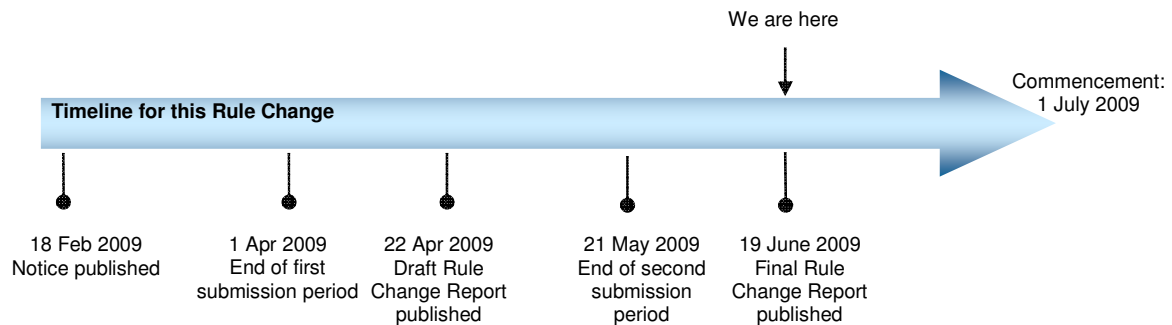
On 16 February 2009 System Management submitted a Rule Change Proposal regarding changes to clause 7.2.5 of the Wholesale Electricity Market Rules (Market Rules).

This Proposal was processed using the Standard Rule Change Process, described in section 2.7 of the Market Rules.

The standard process adheres to the following timelines:



The key dates in processing this Rule Change Proposal are:



The IMO's final decision is to accept the Rule Change Proposal. The detailed reasons for the IMO's decision are set out in section 6 of this report.

In making its final decision on the Rule Change Proposal, the IMO has taken into account:

- the Wholesale Market Objectives;
- the practicality and cost of implementing the proposal;
- the views of the Market Advisory Committee's (MAC); and
- the submissions received.

This Final Rule Change Report on the Rule Change Proposal has been prepared by the IMO in accordance with clause 2.7.8 of the Market Rules.

2. THE RULE CHANGE PROPOSAL

2.1 Submission Details

Name:	Alistair Butcher
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Organisation:	System Management
Address:	
Date submitted:	16 February 2009
Urgency:	Standard Rule Change Process
Change Proposal title:	Provision of Intermittent Generator Forecast Information
Market Rule(s) affected:	Clause 7.2.5

2.2 Details of the Proposal

In its proposal System Management noted that clause 7.2.5 of the Market Rules details the timeframe and requirement that Market Generators operating intermittent facilities must submit forecast information to System Management.

The information required by this clause is required by 10am on the Scheduling Day and represents aggregated energy output.

Currently System Management does not rely on aggregated forecast information submitted under clause 7.2.5, and, in any case, shall instead make use of specified information from intermittent generation operators under separate agreements.

System Management sought to modify this clause, as it imposes an obligation which is not at this time necessary to successfully administer dispatch processes. However, at some point in the future, the provision of this aggregated information may be required, and therefore System Management submitted that the clause be retained, but should be amended to import an element of discretion. System Management proposed to add the words “Unless otherwise directed by System Management...” to the beginning of this clause. This inclusion will remove a strict compliance obligation, and instead allow System Management to utilise the powers under clause 7.2.5 only where it is necessary to do so.

System Management submitted that it intends to direct that the information specified under clause 7.2.5 is not required until further notice.

2.3 The Proposal and the Wholesale Market Objectives

System Management contended that the proposed changes, would better address objective (a) of the Market Objectives. The change as submitted would increase the certainty of the application of the rules, and aid economically efficient outcomes through the removal of the



requirement to strictly comply with obligations that are currently unnecessary for the operation of the dispatch process.

The details of System Management's assessment of the proposed rule change against the Market Objectives were published in the Rule Change Notice on 18 February 2009.

2.4 The Amending Rules Proposed by System Management

The amendments to the Market Rules proposed by System Management are outlined in section 7 of this report.

2.5 The IMO's Initial Assessment of the Proposal

The IMO decided to proceed with the proposal on the basis of its preliminary assessment, which indicated that the proposal was consistent with the Wholesale Market Objectives.

3. FIRST SUBMISSION PERIOD

The first submission period for this Rule Change Proposal was between 18 February 2009 and 1 April 2009.

3.1 Submissions received

The IMO received a submission on the Rule Change Proposal from Landfill Gas & Power (LGP) during the first submission period. The submission is summarised below. The full text of the submission is available on the IMO website.

3.1.1 Submission from Landfill Gas and Power

LGP supported the Rule Change Proposal on the grounds that an efficient and effective market should only require participants to provide information and System Management to use it in circumstances where the data is necessary or relevant to System Management.

LGP also supported System Managements contention that the proposal supports market objective (a).

3.3 Public Forums and Workshops

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

4. THE IMO'S DRAFT DECISION

The IMO's draft decision was to accept the proposed amendment to clause 7.2.5 of the Wholesale Electricity Market Rules as proposed in the Rule Change Proposal.



The IMO has made its decision on the following basis:

- The Amending Rules:
 - Will allow the Market Rules to better address Wholesale Market Objective (a);
 - Are consistent with the remaining Wholesale Market Objectives;
 - Have no identified costs associated with their implementation; and
 - Have the support of both the MAC and all participants providing submissions during the first submission period.

Additional detail outlining the analysis behind the IMO's reasons is outlined in section 5 of the Draft Rule Change Report.

http://www.imowa.com.au/Attachments/RuleChange/RuleChange_2009_03.html

5. SECOND SUBMISSION PERIOD

Following the publication of the Draft Rule Change Report on the IMO website, the second submission period was between 23 April 2009 and 21 May 2009.

The IMO received formal submissions from Perth Energy and Synergy during the second submission period. The submissions are summarised below, with the full text available on the IMO website.

5.1 *Submission from Perth Energy*

Perth Energy supports the proposed change to clause 7.2.5 as set out in the Draft Rule Change Report. Perth Energy agreed that the proposed change will enhance the operation of the Wholesale Electricity Market.

5.2 *Submission from Synergy*

Synergy supports the proposed changes to clause 7.2.5 of the Market Rules and noted in its submission that it would have also been supportive of a proposition to entirely remove the rule thereby allowing other forecast solutions to be explored by System Management at its discretion

Synergy notes that System Management, upon exercising its discretion in removing the forecasting requirement from Intermittent Generators with an intention to reinstate the obligation at a future date, ensures it allows sufficient time for Intermittent Generators to arrange its systems to be able to provide a forecast.

Synergy notes that at commencement of the market many Market Participants strongly expressed the view that such forecasts were required. Synergy contends that System Management queries around the relevance of such forecasts are suggestive of the greater experience obtained since market start.



Further, Synergy suggests that System Management should, at a later date, consider creating such forecasts for itself rather than relying on Intermittent Generators. This would improve the accuracy and relevance of any forecasts being prepared. Additionally, experience from other jurisdictions suggests energy production forecast accuracy is greatly improved if undertaken within 4 to 8 hours of actual dispatch. Synergy contends that the derived benefit from such forecasts would be for system security purposes rather than market purposes.

6. THE IMO'S FINAL ASSESSMENT

In preparing its Final Rule Change Report, the IMO must assess the Rule Change Proposal in light of clauses 2.4.2 and 2.4.3 of the Market Rules.

Market Rule 2.4.2 outlines that 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”*.

Additionally, clause 2.4.3 states, when deciding whether to make Amending Rules, the IMO must have regard to the following:

- Any applicable policy direction from the Minister regarding the development of the market;
- The practicality and cost of implementing the proposal;
- The views expressed in submissions and by the MAC; and
- Any technical studies that the IMO considers necessary to assist in assessing the Rule Change Proposal.

The IMO notes that there has not been any applicable policy direction from the Minister in respect of this Rule Change Proposal and that no technical studies have been determined necessary to assist in assessing the Rule Change Proposal.

The IMO's assessment is outlined in the following sections.

6.1 Market Objectives

According to clause 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 Market Rules as a whole, if amended, will be consistent with the Wholesale Market Objectives.



Wholesale Market Objective	Consistent with objective
(a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system	Yes
(b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors	Yes
(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	Yes
(d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system	Yes
(e) to encourage the taking of measures to manage the amount of electricity used and when it is used	Yes

Further, the IMO considers that the Market Rules if amended would not only be consistent with the Wholesale Market Objectives but also allow the Market Rules to better address Wholesale Market Objective (a):

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

The IMO’s assessment against market objective (a) 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 proposed rule change supports this objective by improving certainty of the application of the rules and aiding economically efficient outcomes. This is achieved by removing the current requirement to strictly comply with obligations that are unnecessary for the operation of the dispatch process. The improved focus of System Management’s and Market Generator’s human resources on other activities associated with the dispatch process will also result in improvements in the safe and reliable supply of electricity in the South West interconnected system.

6.2 Practicality and cost of implementation

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 changes do not require any change to the Wholesale Electricity Market systems operated by the IMO or any of the systems operated by System Management.



There have been no additional costs identified with the implementation of this Rule Change Proposal.

6.3 Views expressed in submissions

In accordance with clause 2.4.3(c) of the Market Rules, in deciding whether or not to make Amending Rules, the IMO must have regard to the views expressed in submissions on the Rule Change Proposal.

The Amending Rules proposed by System Management had the support of all parties during the second submission period.

Synergy noted that System Management should consider completely removing the forecasting requirement contained in clause 7.2.5 of the Market Rules and investigating other forecasting options to improve accuracy and reliability. The IMO agrees with this but does not consider that an amendment to this Rule Change Proposal is necessary.

The IMO forwarded Synergy's submission to System Management for consideration. System Management noted that they are currently exploring more appropriate wind forecasting options.

6.4 Views expressed by the Market Advisory Committee

In accordance with clause 2.4.3(d) of the Market Rules, in deciding whether or not to make Amending Rules, the IMO must have regard to the views expressed by the MAC, where the MAC met to consider the Rule Change Proposal.

The MAC was advised of the proposed rule change at its meeting on 11 February 2009. At the meeting the MAC provided unanimous support for the proposal.

7. THE IMO'S FINAL DECISION

The IMO's final decision is to accept the proposed amendments to clause 7.2.5 of the Market Rules as proposed in System Managements Rule Change Proposal.

7.1 Reasons for the decision

The IMO has made its decision on the following basis:

- The Amending Rules:
 - Will allow the Market Rules to better address Wholesale Market Objective (a);
 - Are consistent with the remaining Wholesale Market Objectives;
 - Have no identified costs associated with their implementation; and
 - Have the support of both the MAC and all participants providing submissions during the first submission period.



Additional detail outlining the analysis behind the IMO's reasons is outlined in section 6 of this Final Rule Change Report.

8. AMENDING RULES

8.1 Commencement

The amendments to the Market Rules resulting from this Rule Change Proposal will commence at **8:00am on 1 July 2009**.

8.2 Amending Rules

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

7.2.5 Unless otherwise directed by System Management, each Market Generator must by 10 AM each day provide to System Management for each of its Intermittent Generators with capacity exceeding 10 MW its most current forecast of the MWh energy output of the Intermittent Generator for each Trading Interval between noon of the current Scheduling Day and the end of the corresponding Trading day in a format and by a method specified in the Power System Operation Procedure.

9. GENERAL INFORMATION ABOUT RULE CHANGE PROPOSALS

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