

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 transmission tower stands prominently. The overall scene is set against a clear sky and a hilly landscape.

**Independent Market Operator**

**Final Rule Change Report:  
The use of tolerance levels by  
System Management**

**Ref: RC\_2009\_22**

**Date: 18 June 2010**

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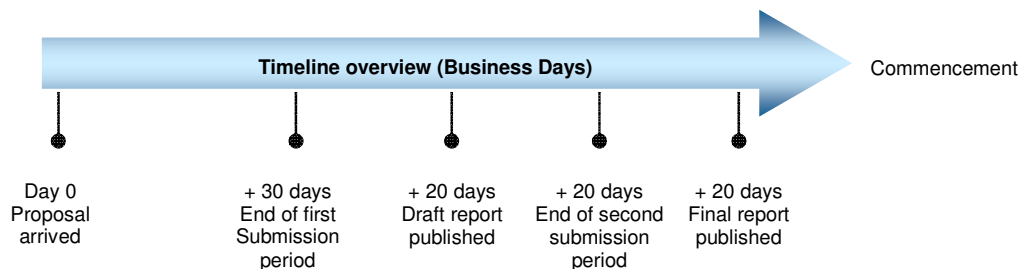
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## 1. INTRODUCTION

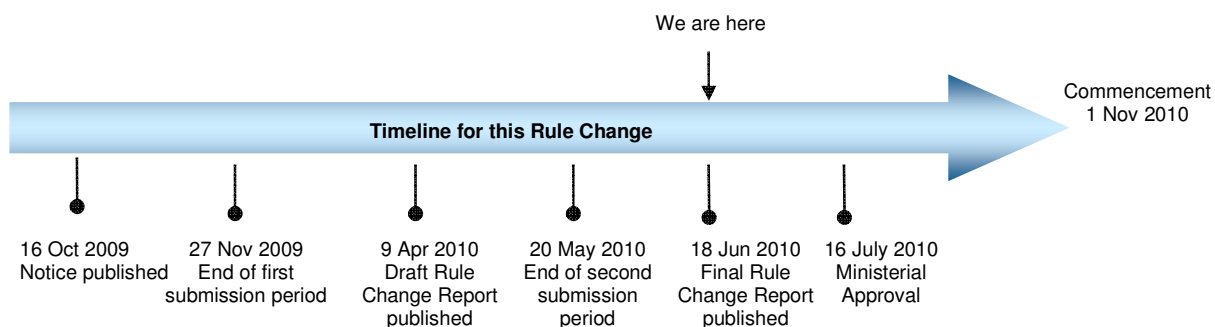
On 15 October 2009 System Management submitted a Rule Change Proposal regarding the amendment of clauses 2.13.6, 2.13.8, 7.10.5, and Chapter 11 and the proposed new clauses 2.13.6A, 2.13.6B, 2.13.6C, 2.13.6D, 2.13.6E, 2.13.6F, 2.13.6G, 2.13.6H, 7.10.5B and 7.10.5C of the Wholesale Electricity Market Rules (Market Rules).

The 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:



In accordance with clause 2.5.10 of the Market Rules the IMO decided to extend the timeframes for preparing the Draft Rule Change Report, the second submission period, and preparing the Final Rule Change Report of this Rule Change Proposal. Extension notices, under clause 2.5.12, were published on the IMO website.

The key dates in processing this Rule Change Proposal, as amended in the extension notices, are:



The IMO's final decision is to accept the Rule Change Proposal in a modified form. The detailed reasons for the IMO's decision are set out in section 7 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 (MAC); and
- the submissions received.

All documents related to this Rule Change Proposal can be found on the IMO website: [http://www.imowa.com.au/RC\\_2009\\_22](http://www.imowa.com.au/RC_2009_22)

## 2. THE RULE CHANGE PROPOSAL

### 2.1 Submission Details

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<b>Organisation:</b>	System Management
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<b>Date submitted:</b>	15 October 2009
<b>Urgency:</b>	Standard Rule Change Process
<b>Change Proposal title:</b>	The use of tolerance levels by System Management
<b>Market Rules affected:</b>	2.13.6, new 2.13.6A, new 2.13.6B, new 2.13.6C, new 2.13.6D, new 2.13.6E, new 2.13.6F, new 2.13.6G, new 2.13.6H, 2.13.8, 7.10.5, new 7.10.5B , new 7.10.5C, Chapter 11

### 2.2 Summary Details of the Proposal

System Management's Rule Change Proposal sought to:

- clarify its reporting obligations, by expressly allowing for the use of a Tolerance Range when reporting any alleged breaches under clause 2.13.6 of the Market Rules to the IMO; and
- amend its operational obligations around warning a Market Participant of an alleged breach of clause 7.10.1 and requesting an explanation and cessation of that behaviour if within the defined Tolerance Range.

System Management noted that given the significant differences between facilities in the South West interconnected system (SWIS) the proposal did not incorporate tolerances themselves; but rather detailed the process by which it would determine (and make transparent) each facility's tolerance. The proposed process would operate in a similar fashion to the way System Management currently determines the content of the equipment list for the purposes of outage planning (refer clause 3.18.2 of the Market Rules).

Full details of the Rule Change Proposal are available in Appendix 1 of this report.

### 2.3 The Proposal and the Wholesale Market Objectives

System Management's assessment of the proposed changes against the Market Rules was 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;*

System Management considered that economic efficiency would be promoted by ensuring that significant and unnecessary compliance costs are not imposed on System Management, Rule Participants and the IMO. Economic efficiency will also be promoted by providing certainty and transparency for Rule Participants as to the role of System Management in using Tolerance Ranges.

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

System Management considered that a strict interpretation of the current provisions of the Market Rules would impose a significant and unnecessary compliance cost on Rule Participants which may discourage the entry of new competitors into the market. System Management contended that the Rule Change Proposal will ensure that unnecessary compliance costs are not incurred by Rule Participants which will ensure that new entrants do not see unjustified compliance costs as a potential barrier to entry.

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

System Management considered that a strict interpretation of the current provisions of the Market Rules will impose a significant and unnecessary compliance cost on System Management, Rule Participants and the IMO which may be passed on to consumers. System Management considered that the Rule Change Proposal will ensure that these significant and unnecessary administrative costs are minimised.

System Management considered that the proposed changes do not impact on, and therefore are consistent with, the operation of Market Objectives (c) and (e).

#### **2.4 The Amending Rules Proposed by the IMO**

The amendments to the Market Rules originally proposed by System Management are available in Appendix 2 of this report.

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

The IMO decided to proceed with the proposal as its preliminary assessment 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 19 October 2009 and 27 November 2009.

#### **3.1 Submissions received**

The IMO received submissions from Alinta, Landfill Gas & Power (LGP), Synergy and Verve Energy. A copy of the full submissions received is available on the IMO website.

In summary, LGP, Synergy and Verve Energy generally supported the proposal. In particular, Synergy agreed that the proposed changes will be consistent with the Market Objectives (a), (b) and (d).

Alinta did not support the Rule Change Proposal. Alinta did not consider that the IMO could be satisfied that the Market Rules, as proposed to be amended, would be consistent with the Wholesale Market Objectives.

#### **3.2 IMO's assessment of first submission period responses**

During the first submission period a number of points were raised by Alinta and LGP regarding System Management's proposed amendments to the Market Rules. The IMO's response to each of the issues is presented in the table over the page:

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Clause	Submitter	Comment/Change Requested	IMO's response
All	Alinta	The proposal does significantly more than simply eliminate the current non-compliance. In particular, the proposal establishes a broad reaching discretionary framework for establishing individual Facility Tolerance Ranges, the need for which has not been demonstrated by System Management.	<p>The proposed Amending Rules, as presented in section 5.5 of the draft report, have been changed to allow for the development of a generic Facility Tolerance Range, unless varied on a case by case basis for specific generation Facilities.</p> <p>This approach acknowledges the unique operational circumstances of individual Facilities and ensures that a one size fits all approach is avoided.</p>
All	Alinta	The proposal fails to identify the basis on which individual Facility Tolerance Ranges might be established, and therefore creates significant regulatory uncertainty for Market Generators.	<p>The proposed Amending Rules, as presented in section 5.5 of the draft, have been expanded to:</p> <ul style="list-style-type: none"> <li>○ include a requirement on System Management to document the procedure it follows in determining the annual Tolerance Range and any Facility Tolerance Range in the Power System Operation Procedure.</li> <li>○ allow tolerance ranges for specific facilities to be developed as an exception; and</li> <li>○ require System Management to provide the reasons for any decision, following a request from a Rule Participant to vary the tolerance range to apply to its specific generation facility, to the IMO for publication.</li> </ul> <p>This will provide transparency around the basis for System Management's decisions to vary the generic tolerance range for specific generation facilities.</p>
All	Alinta	The proposal could reasonably be expected to result in a significant increase in the administrative burden (and cost) faced by System Management. These costs would be expected to be passed through to Market Participants.	<p>The establishment of individual Facility Tolerance Ranges could potentially increase the administrative burden of System Management and the IMO in reviewing any tolerances, however the IMO does not consider that these costs will be significant. The IMO notes that the further proposed Amending Rules, as presented in section 5.5 of the draft report, will only allow a Facility Tolerance Range to be determined as an exception to the Tolerance Range, only when requested by a specific generation facility. This differs from the original proposal, in which tolerance ranges were proposed to be set for all facilities on an individual basis.</p>
All	Alinta	The proposal could reasonably be expected to result in	The IMO agrees with Alinta that there could be increases in administrative

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Clause	Submitter	Comment/Change Requested	IMO's response
		additional costs for Market Generators.	burden to Market Generators. This point has been addressed in the further proposed Amending Rules, as presented in section 5.5 of the draft report, by allowing for a Facility Tolerance Range to be determined as an exception to the Tolerance Range, only when requested by a specific generation facility.
All	LGP	Supports the principle that System Management should use a tolerance range in assessing whether a Market Participant is complying with its obligations.	The intent of the proposed amendments is to simply amend System Management's reporting obligations associated with deviations by Market Participants from their Resource Plans or Dispatch Instructions. The proposed amendments will not impact of any assessment of whether a Market Participant is complying with its obligations nor will it change any Market Participants obligations for compliance with the Market Rules.
2.13.6 & 2.13.6B	Alinta	Existing clause 2.13.6 (and proposed new Market Rule 2.13.6A) refers generally to 'Market Procedures developed by System Management' whereas then proposed new Market Rule 2.13.6B in RC_2009_22 instead refers to the Power System Operating Procedures developed by System Management.	Clause 2.13.6B of the Amending Rules, as presented in section 5.5 of the draft report, has been updated to refer to the relevant "Power System Operating Procedures developed by System Management".
2.13.6D	LGP	Supports the bulk of the proposal however LGP is not persuaded that the proposed changes should go beyond traditional practice in respect of the assignment of tolerance levels. In particular, LGP suggests that rather than the elaborate process set out in clause 2.13.6D a more reasonable approach based on the values traditionally used should be adopted.	Following the first submission period responses, a simpler process has been developed, as set out in section 5.5 of the draft report.
7.10.5 & 7.10.5B	Alinta	The amendments to Market Rule 7.10.5 and the new Market Rule 7.10.5B would mean that System Management would no longer be required to request an explanation and cessation of the behaviour where a Market Participant's deviation from its Resource Plan or Dispatch Instruction was within the Facility Tolerance Range for the Facility but where the deviation threatened Power System Security or Power System Reliability.	The requirement for System Management to request an explanation and cessation of the behaviour where a Rule Participant is deviating from its Resource Plan or Dispatch Instruction has been reinstated in the further proposed Amending Rules, as presented in section 5.5 of the draft report.



In order to address the issues raised in Alinta's submission and prior to preparing the Draft Rule Change Report, the IMO facilitated a discussion between Alinta and System Management to assist in the determination of an appropriate process for setting Tolerance Ranges for compliance reporting. Following this discussion Alinta and System Management presented alternate drafting for the IMO to consider. For further details please refer to the Draft Rule Change Report.

### **3.3 Public Forums and Workshops**

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

### **3.4 Additional Amendments**

Following the first public submission period, the IMO undertook an assessment of the proposed Amending Rules:

- originally provided by System Management (outlined in Appendix 2);
- suggested by Alinta in its submission (available on the IMO's website); and
- developed by System Management and Alinta prior to the publication of the Draft Rule Change Report (available on the IMO's website).

Following this assessment the IMO considered that further changes to the proposed Amending Rules were required in order to achieve the intent of the Rule Change Proposal. This included a simpler approach for determining tolerances for System Management's reporting of alleged breaches of clause 7.10.1 of the Market Rules.

Additionally, the IMO considered that further clarification was required to refer specifically to determining a Tolerance Range to apply to System Management's reporting obligations of 7.10.1 rather than of System Management's monitoring obligations under clause 2.13.9 of the Market Rules. A number of minor and typographical changes were also made to improve the overall integrity of the proposed Amending Rules.

Finally, the IMO extended the drafting to allow for a tolerance around System Management's obligation to report Forced Outages. In accordance with the advice of the MAC, the IMO sought specific submissions during the second submission period on this.

The additional amendments are outlined in Appendix 3 of this report.

## **4. THE IMO'S DRAFT ASSESSMENT**

The IMO's draft assessment, against clauses 2.4.2 and 2.4.3 of the Market Rules, and analysis of the Rule Change Proposal can be viewed in the Draft Rule Change Report (available on the IMO's website).

## **5. THE IMO'S DRAFT DECISION**

Based on the matters set out in the Draft Rule Change Report, the IMO's draft decision, in accordance with clause 2.7.7(f), was to accept the Rule Change Proposal as modified following the first submission period.

The IMO noted that the changes proposed allow for a tolerance regarding System Management's reporting obligations and do not change a Market Participant's



compliance obligations. The IMO stated that evidence presented by System Management to support the rule change is suggestive that there may be further underlying issues associated with the strict requirement for Resource Plan compliance by Market Participants. The IMO noted that there may be merit in undertaking a closer assessment of Market Participant's compliance obligations under clause 7.10.1.

The IMO made its decision on the basis that the Amending Rules:

- will allow the Market Rules to better address Wholesale Market Objective (a) and (b);
- are consistent with the remaining Wholesale Market Objectives;
- have the general support of the MAC; and
- have the general support of the majority of submissions received during the first submission period.

## **6. SECOND SUBMISSION PERIOD**

Following the publication of the Draft Rule Change Report on the IMO website, the second submission period was between 12 April 2010 and 20 May 2010.

### **6.1 Submissions received**

The IMO received submissions from Alinta, LGP and Synergy. These submissions are summarised below with the full submissions available on the IMO website.

In summary, Alinta notes that many of the technical issues identified in its first round submission were addressed in the Draft Rule Change Report. However, Alinta considered some additional amendments are necessary and that it retains reservations about the need for the extent of the amendments proposed.

Alinta did not consider that the IMO could be satisfied that the Market Rules, as proposed to be amended, would be consistent with the Wholesale Market Objectives. Synergy agrees with the IMO's assessment that the proposed changes will be consistent with the Market Objectives and in particular will better achieve Market Objectives (a), (b) and (d). Synergy supports the proposed amendments to the Market Rules.

LGP notes that the original proposal was supported by Synergy, Verve and itself and that the further amendments presented in the Draft Rule Change Report addressed its concerns about reasonably assessing tolerances and implicitly have Alinta's support. On this basis, LGP supports the proposed changes as a reasonable and consultative approach to implementing improved generator tolerances and monitoring compliance.

### **6.2 IMO's assessment of second submission period responses**

The IMO's response to the issues identified during the second submission period is presented in the table over the page.

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Clause	Submitter	Comment/Change Requested	IMO's response
Clause 2.13.6E	Alinta	Amend to permit System Management to "determine a Facility Tolerance Range"	Clause 2.13.6E has been amended to reflect Alinta's comment.
Clause 2.13.6K	Alinta	Amending to clearly specify the basis on which System Management may annually review and then vary the Tolerance Range and Facility Tolerance Ranges.	Clause 2.13.6K has been amended to require the PSOP to cover the process of reviewing and determining the Tolerance Ranges.
All	Alinta	There remains significant uncertainty around the manner in which System Management might exercise the discretion available to it under the proposed Amending Rules	<p>System Management requires a level of discretion under the proposed Amending Rules to take account of the differences between the Facilities on the SWIS. Certainty is achieved:</p> <ul style="list-style-type: none"> <li>• The PSOP will provide certainty around how System Management will determine either the Tolerance Range or a Facility Tolerance Range. In developing the PSOP, System Management will work in conjunction with the System Management Procedure Change and Development Group (Working Group). Additionally, Market Participants will be able to provide comments on the PSOP during the public consultation process.</li> <li>• System Management is required to consult with Market Participants prior to setting a Facility Tolerance Range (clause 2.13.6E).</li> <li>• System Management may not show bias (clause 2.13.6F).</li> <li>• Transparency of the Tolerance Range and any Facility Tolerance Ranges determined by System Management will be achieved through publication of this information as public information (clause 10.5.1).</li> <li>• Any Market Participant which has an issue with the values of a Facility Tolerance Range may request the IMO to undertake a reassessment (clause 2.13.6H). Following the outcomes of this reassessment, the IMO may give a direction to System Management to vary a Facility Tolerance Range.</li> </ul>
All	Alinta	The proposal establishes a discretionary framework for establishing individual Facility Tolerance Ranges, the need for which has not been demonstrated by System Management.	<p>As noted above, the significant differences between Facilities in the SWIS mean that System Management requires a level of flexibility when establishing individual Facility Tolerance Ranges.</p> <p>The IMO considers that the proposed framework for establishing the Tolerance Range and any Facility Tolerance Ranges (as presented above) strikes a balance between the required level of flexibility for System Management and certainty for Market Participants.</p>
All	Alinta	The proposal does not identify the basis on which	The basis for establishing Facility Tolerance Ranges will be established in the

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Clause	Submitter	Comment/Change Requested	IMO's response
		individual Facility Tolerance Ranges might be established, and therefore creates significant regulatory uncertainty for Market Generators	PSOP. Market Generators will be provided an opportunity to comment on the proposed PSOP through their representatives at the Working Group and directly during the consultation period.
All	Alinta	The basis for the determination of the Tolerance Range and any Facility Tolerance Ranges might be established are to be set out in an as yet to be developed Power System Operation Procedure	To ensure that Market Generators are not exposed to regulatory uncertainty the PSOP will be developed by System Management in conjunction with the Working Group. The PSOP will be developed via the formal Procedure Change Process prior to the commencement of the Amending Rules on 1 November 2010.
All	Alinta	The quantum of the additional administrative costs identified for both the IMO and System Management have not been identified.	Any increased administrative costs to both the IMO and System Management will be covered under their normal business operations therefore these have not been quantified.
All	Alinta	The proposal has the potential to increase the administrative burden (and cost) faced by System Management. These costs would be expected to be passed through to Market Participants	See above.
All	Alinta	The process of developing the PSOP is likely to impose a material cost on System Management	See above.
All	Alinta	The annual review of the Tolerance Range and any Facility Tolerance Ranges and consultation with Market Participants could reasonably be expected to impose material costs	When making submissions on the Rule Change Proposal Market Participants were requested to identify any likely costs and provide an estimate of these to the IMO to take into account when making its decision. For further details refer to Section 3 of the Rule Change Submission Form available on the IMO website: <a href="http://www.imowa.com.au/rule-changes">http://www.imowa.com.au/rule-changes</a> .  Of the seven submissions received during the two consultation periods, only Alinta identified that there may be costs associated with reviewing the PSOP and Tolerance Range proposed by System Management. None of the submissions received provided an estimate of the likely associated costs.
All	Alinta	The proposal would result in additional costs for Market Generators in reviewing PSOP and the Tolerance Range proposed by System Management	See above.

### 6.3 Additional amendments to the Amending Rules

Following the closure of the second submission period, the IMO made some additional changes to the proposed Amending Rules to improve the integrity of the Market Rules and clarify that information published under clause 2.13.6F would be public information.

The amendments made by the IMO are presented in Appendix 4 of this report.

## 7. 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.

Clause 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 nor has it commissioned a technical review in respect of this Rule Change Proposal.

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

### 7.1 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

Wholesale Market Objective	Consistent with objective
(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) and (b):

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

The proposed changes may encourage greater economic efficiency by promoting the allocative efficiency of System Management and IMO resources and potentially reducing the transaction costs associated with compliance reporting. The IMO considers that reporting every deviation to a Resource Plan could be a burdensome outcome which would be costly to the market overall and may not improve system security or reliability.

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

The greater certainty and reduced likelihood of differential treatment of participants may remove a barrier to entry into the market.

The IMO, however, disagrees with System Management's assessment that the proposed amendments will lead to a reduction in other Rule Participants' compliance costs and therefore reduce a barrier to entry into the market. This is because the proposed changes will simply apply a tolerance range around System Management's reporting obligations associated with clause 7.10.1 and System Management's operational obligations to request a Market Generator move back to its Resource Plan under clause 7.10.5. Neither of these proposed changes will amend Market Generators' requirements to adhere to the Market Rules.

The IMO considers that the proposed changes are consistent with market objectives (c), (d) and (e).

## 7.2 Practicality and cost of implementation

### Cost:

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 however been administrative costs identified for both the IMO and System Management relating to the new process set out in the Amending Rules. These costs have been assessed to fall within the boundaries of both the IMO's and System Management's current budget.

As the proposed amendments will simply change System Management's reporting obligations around clause 7.10.1 and operational obligations around clause 7.10.5, there have been no identified changes to other Rule Participant's compliance costs.

**Practicality:**

In making its assessment of the Rule Change Proposal the IMO must have regard to the practicality of implementing the proposal. The IMO has not identified any issues with the practicality of implementing the proposed changes.

**7.3 Views expressed by the Market Advisory Committee**

The MAC discussed the proposal at a number of meetings:

- 10 June 2009: Pre Rule Change Discussion Paper;
- 14 October 2009: Pre Rule Change Discussion Paper;
- 11 November 2009: Rule Change Proposal;
- 9 December 2009: Rule Change Proposal;
- 10 February 2010: Rule Change Proposal;
- 10 March 2010: Rule Change Proposal; and
- 12 May 2010: Rule Change Proposal.

An overview of the discussion from the various MAC meetings is presented below. Further details are available in the MAC meeting minutes available on the IMO website: <http://www.imowa.com.au/market-advisory-committee>

**June 2009 MAC meeting**

System Management first presented the Pre Rule Change Discussion paper at the 10 June 2009 MAC meeting. System Management outlined its proposal for MAC members.

In response to the proposal the MAC noted:

- Concern with the lack of certainty and clarity regarding System Management's powers. In particular it was noted that the proposal goes beyond what System Management currently do and that power, where the level of governance is unclear, is problematic.
- That a pragmatic solution needs to be determined and that discretion may be appropriate but that this needs to be a well governed process with specific in-built assurance devices to ensure Market Participants are treated equitably.

System Management responded that there would be transparency because the values would be published and Market Participants would be able to request reconsideration.

- That a tolerance (for settlement purposes) was already built into the Market Rules. It was questioned whether the inclusion of an additional tolerance should be in line with this already well accepted tolerance.

In response, System Management stated that:

- for real time monitoring, a tolerance of 30MW is used;
- for ex-post monitoring, a tolerance of 10MW is used; and
- the settlement tolerance contained in the Market Rules is too small for its purposes.

### **October 2009 MAC meeting**

During the 14 October 2009 meeting, System Management presented an updated proposal. This was in light of the concern noted by the MAC at the June 2009 meeting around the lack of certainty and clarity regarding System Management's powers

There was considerable discussion and divergent views on the Rule Change Proposal. The following points were raised by MAC members regarding the further changes to the proposal made by System Management.

- The IMO asked System Management to confirm that it is also developing a procedure for setting the tolerance ranges. System Management agreed to consider this further.
- Synergy stated that a procedure containing these details would be an appropriate step and that building in the review mechanism is also appropriate. Synergy noted that the transparency aspects of the Rule Change Proposal should be there to protect System Management as well as Market Participants.
- The IMO noted that, as currently proposed, it might be difficult to make a decision on System Management's assessment. In response, System Management noted that a participant would provide the IMO with all the information necessary, as it would be in its interest to do so.
- Alinta queried why the rule change was necessary. Alinta noted that, in its view, this is an administrative issue relating to technical non-compliance with the Market Rules and that there was no evidence that the current approach adopted by System Management doesn't work. Alinta stated that the proposed solution to this problem goes above and beyond that necessary and is therefore unnecessary given that the current approach works. Alinta considered that it is unlikely that the process could not have any related costs as suggested by System Management in its proposal.
- Alinta suggested that the rules should be amended simply to reflect the current process (as this is widely accepted by Market Participants). System Management noted that, while the current process has worked so far, it may not continue to work if there is a change in the number of new generators coming into the system.
- Verve Energy suggested that the process could be covered in a Market Procedure. The IMO noted that it did not consider that this was appropriate and that doing so would create obligations above and beyond those contained in the Market Rules.



- The IMO suggested that tolerances could be specified for facilities classified into blocks by type and size (similar to the allocation of spinning reserve costs outlined in Appendix 2 of the Market Rules), which would eliminate any concerns with the level of discretion being granted by the proposed changes. System Management noted that this may add a further level of complexity.
- Alinta questioned whether the additional complexity resulting from the Pre Rule Change Proposal was justified given the problem that the proposal was trying to address.

To conclude the discussion held at the meeting, it was noted that there are differing views around what this rule change achieves. In particular, there were issues associated with the driver of the change and the whether the proposed outcome is appropriate. The MAC noted that if System Management wished to progress the Rule Change Proposal further it would not impede this process any further unless there were other suggestions from members.

Alinta offered to provide System Management and the IMO with an alternative to the proposal. System Management noted that it would consider Alinta's alternative approach.

*System Management formally submitted its proposal on 15 October 2009. As such, Alinta's alternative solution was presented in a submission during the first submission period. For additional detail please refer to the Alinta's submission available on the IMO Webpage: [http://www.imowa.com.au/RC\\_2009\\_22](http://www.imowa.com.au/RC_2009_22)*

#### **November 2009 MAC meeting**

The MAC noted the Rule Change Proposal at the 11 November 2009 meeting.

#### **December 2009 MAC meeting**

The MAC noted the Rule Change Proposal at the 9 December 2009 meeting.

#### **February 2010 MAC meeting**

Subsequent to the IMO's assessment of first submission period responses, the following points were discussed at the 10 February 2010 MAC meeting.

- In its Rule Change Proposal to allow for tolerances to be applied to its reporting obligations, the IMO considered that System Management did not clearly identify the proposed changes as applying to Forced Outages (as well as Resource Plan Deviations).
- System Management considered that this was implied in the drafting of the proposal.
- The IMO noted that it had discussed this with all submitting parties and determined that this was not clearly articulated to the market.
- The IMO reiterated that it was therefore unclear if the rule change extended to allowing for a reporting tolerance for System Management around Forced Outages.

The MAC agreed that the IMO should extend the timeframes for publication of the Draft Rule Change Report and bring the proposed drafting of the Amending Rules to MAC for further discussion at the next meeting.

### **March 2010 MAC meeting**

At the 10 March 2010 meeting, the IMO recapped the points noted at the 10 February 2010 meeting, regarding the inclusion of Forced Outages in System Management's proposed reporting tolerances. The IMO advised the MAC that it had since met with System Management to develop amended drafting to include a Forced Outage reporting tolerance. The IMO specifically requested the MAC's advice on whether reporting tolerances for Forced Outages should be covered and the IMO's proposed treatment of this issue in the Draft Rule Change Report.

At the meeting, the MAC:

- agreed that the intent of the original Rule Change Proposal did not explicitly allow a reporting tolerance to apply for Forced Outages;
- did not note any concerns with extending System Management's reporting tolerances to also cover Forced Outages; and
- agreed that the IMO should include a tolerance for Forced Outage reporting in the Draft Rule Change Report and specifically request comments on this during the second submission period.

### **May 2010 MAC meeting**

The MAC noted the Rule Change Proposal at the 12 May 2010 meeting.

## **7.4 Views expressed in submissions**

### First Submission Period

The IMO received three submissions in favour of and one submission not supporting the proposal during the first submission period. LGP, Synergy and Verve Energy were generally supportive of the proposal on the grounds that it clarifies System Management's reporting obligations.

Alinta did not support the Rule Change Proposal in that it went much further than simply allowing for a continuation of System Management's current practice of using a single high-level "tolerance range" to limit the reporting of alleged breaches of clause 7.10.1 and 2.13.6 of the Market Rules.

Prior to preparing the Draft Rule Change Report, the IMO facilitated a discussion between Alinta and System Management to determine an appropriate process for setting tolerance ranges for compliance reporting.

### Second Submission Period

Of the three submissions received during the second submission period, LGP and Synergy continued to support the proposed amendments. Alinta suggested some further amendments and noted concerns around the need for the extent of the amendments.

The IMO's response to the issues raised in submissions is provided in section 6.2 of this report.

As agreed at the March 2010 MAC Meeting, the IMO requested comments during the second submission period on whether the use of tolerances by System Management should be extended to cover Forced Outages. Of the three submissions received only Synergy provided specific comment in favour of this extension to cover Forced Outages.

The IMO also requested comments as to whether a broader assessment of Market Participant's compliance obligations under clause 7.10.1 is required. The IMO did not receive any comments from submitting parties on whether there may be further underlying issues associated with strict Resource Plan compliance by Market Participants.

## 8. THE IMO'S FINAL DECISION

Based on the matters set out in this report, the IMO's final decision, in accordance with clause 2.7.8 (e), is to accept the amendment of clauses 2.13.6, 2.13.7, 2.13.8, 7.10.5, 7.10.7, 10.5.1 and the glossary, and the new clauses 2.13.6A, 2.13.6B, 2.13.6C, 2.13.6D, 2.13.6E, 2.13.6F, 2.13.6G, 2.13.6H, 2.13.6I, 2.13.6J, 2.13.6K and 7.10.5B of the Market Rules. This is as proposed in the Draft Rule Change Report and modified in section 6.3 of this report.

### 8.1 *Reasons for the Decision*

The IMO has made its decision on the basis that the Amending Rules:

- will allow the Market Rules to better address Wholesale Market Objective (a) and (b);
- are consistent with the other Wholesale Market Objectives; and
- had the support of the majority of submissions received in the first and second submission periods.

Additional detail outlining the analysis behind the IMO's decision is outlined in section 7 of this Final Rule Change Report.

## 9. AMENDING RULES

### 9.1 *Commencement*

The amendments to the Market Rules resulting from this Rule Change Proposal will commence at **8.00am** on **1 November 2010**

### 9.2 *Amending Rules*

The IMO's final decision is to amend the Market Rules. The following clauses are amended (~~deleted wording~~, new wording):

#### **Market Rule 2.13.6**

System Management must monitor Rule Participants' behaviour for compliance with the provisions of the Market Rules referred to in clause 2.13.9 and ~~Market~~

~~Procedures the Power System Operation Procedures developed by System Management. System Management must report any alleged breaches of those provisions or Market Procedures to the IMO, in accordance with the Monitoring and Reporting Protocol.~~

#### **New Market Rule 2.13.6A**

Subject to clause 2.13.6B, System Management must report any alleged breaches of the provisions of the Market Rules referred to in clause 2.13.9 or the Power System Operation Procedures to the IMO in accordance with the Monitoring and Reporting Protocol.

#### **New Market Rule 2.13.6B**

System Management is not required to report an alleged breach by a Market Participant of clause 7.10.1 or clause 3.21 of the Market Rules to the IMO if:

- (a) the extent of the alleged breach is either within the Tolerance Range established under clause 2.13.6D or the Facility Tolerance Range established under clause 2.13.6E; or
- (b) the alleged breach is limited to occurring within a single Trading Interval; or
- (c) in the case of an alleged breach of clause 7.10.1, the alleged breach is outside the Tolerance Range or Facility Tolerance Range, as applicable, where :
  - i. the Rule Participant has notified System Management of a Forced Outage in accordance with clause 3.21.4 that is applicable to the period of the alleged breach; and
  - ii. the alleged breach relates to the Rule Participant generating at a level below its Resource Plan or the Dispatch Instruction applicable to the relevant Forced Outage period.

#### **New Market Rule 2.13.6C**

Nothing in clause 2.13.6B relieves:

- (a) System Management from its obligation to monitor Rule Participants' compliance with the provisions of the Market Rules referred to in clause 2.13.9 and the Power System Operation Procedures developed by System Management;
- (b) System Management of its obligation to report to the IMO any alleged breach by a Market Participant of clause 7.10.1 or clause 3.21 not covered under clause 2.13.6B; or
- (c) Rule Participants from the obligation to fully comply with the Market Rules and the Power System Operation Procedures, regardless of whether System Management is required under the Market Rules to report any alleged breach to the IMO.

#### **New Market Rule 2.13.6D**

System Management may determine the Tolerance Range to apply to all Facilities for the purposes of System Management's reporting of alleged breaches of clause 7.10.1 and clause 3.21 to the IMO under clause 2.13.6A. When determining the appropriate Tolerance Range to apply for all Market Participants, System Management must:

- (a) consult with Rule Participants prior to setting the Tolerance Range; and
- (b) submit to the IMO for publication on the Market Web Site at least 14 Business Days prior to the date from which change to the Tolerance Range becomes effective, the following:
  - i. all submissions received from Rule Participants;
  - ii. the Tolerance Range; and
  - iii. an effective date for the commencement of the Tolerance Range.

#### **New Market Rule 2.13.6E**

System Management may determine a Facility Tolerance Range to apply to a specific generation Facility for the purposes of System Management's reporting of alleged breaches of clause 7.10.1 and clause 3.21 to the IMO under clause 2.13.6A. A Facility Tolerance Range will apply for a specific generation Facility in place of the Tolerance Range determined under clause 2.13.6D. When determining the Facility Tolerance Range to apply for the specific generation Facility, System Management must:

- (a) consult with Market Participants prior to setting the Facility Tolerance Range; and
- (b) submit to the IMO for publication on the Market Web Site at least 14 Business Days prior to the date from which any changes to the Facility Tolerance Range become effective the following:
  - i. the reasons for System Management's decision;
  - ii. any submissions received from Market Participants;
  - iii. the applicable Facility Tolerance Range; and
  - iv. an effective date for the commencement of the applicable Facility Tolerance Range.

#### **New Market Rule 2.13.6F**

System Management must not show bias towards a Market Participant in respect to the Facility Tolerance Range.

#### **New Market Rule 2.13.6G**

System Management must review the Tolerance Range and any Facility Tolerance Ranges at least annually. System Management may vary the Tolerance Range and any Facility Tolerance Ranges following this review.

#### **New Market Rule 2.13.6H**

A Market Participant may request in writing that the IMO reassess a Facility Tolerance Range for that Market Participant's Facility. Once such a request is made in writing:

- (a) the IMO must consult with System Management and the Market Participant concerning the Facility Tolerance Range;
- (b) the IMO may give a direction to System Management to vary a Facility Tolerance Range where it finds that:
  - i. System Management has not followed the relevant Market Rules or any relevant Power System Operation Procedures in determining the Facility Tolerance Range; or
  - ii. the IMO deems, based on the information provided by the Market Participant and System Management, that the Facility Tolerance Range is not reasonable; and
- (c) the IMO must use best endeavours to complete the assessment within 10 Business Days from receipt of the request; and
- (d) the IMO must publish any direction provided to System Management to vary a Facility Tolerance Range on the Market Web Site within 5 Business Days of issuing that direction.

#### **New Market Rule 2.13.6I**

Where the IMO makes a direction under clause 2.13.6H, that direction will apply until the Facility Tolerance Range is varied in accordance with clause 2.13.6G.

#### **New Market Rule 2.13.6J**

The IMO must publish all information provided pursuant to clauses 2.13.6D and 2.13.6E on the Market Web Site within 5 Business Days of receipt.

#### **New Market Rule 2.13.6K**

System Management must document the procedure for determining and reviewing the annual Tolerance Range and any Facility Tolerance Ranges to apply for the purposes of clause 7.10.1 and clause 3.21 of the Market Rules in the Power System Operation Procedure, and System Management and Market Participants must follow that documented Power System Operation Procedure.

#### **Market Rule 2.13.7**

System Management must ensure it has processes and systems in place to allow it to monitor Rule Participants' behaviour in accordance with clauses 2.13.6 and 2.13.6A.

#### **Market Rule 2.13.8**

If System Management becomes aware of an alleged breach of the provisions of the Market Rules referred to in clause 2.13.9 or the Power System Operation Procedures as a result of its monitoring activities, then it must:

- (a) record the alleged breach of the provisions of the Market Rules referred to in clause 2.13.9 or ~~Market Procedures~~ the Power System Operation Procedures; and
- (b) subject to clause 2.13.6B, notify the IMO of the alleged breach in accordance with clause 2.13.6 or, in the case of an alleged breach by the IMO, notify the person referred to in clause 2.13.1 in accordance with clause 2.13.5.

#### **Market Rule 7.10.5**

Subject to clause 7.10.5A, where System Management considers that a Market Participant has not complied with clause 7.10.1 in relation to any of its Registered Facilities in a manner that:

- (a) threatens Power System Security or Power System Reliability; or
- (b) would require System Management to issue instructions to the Registered Facilities of the Electricity Generation Corporation or Registered Facilities covered by any Balancing Support Contract or Ancillary Service Contract; or
- (c) would require System Management to issue Dispatch Instructions to other Registered Facilities in accordance with clauses 7.6.3 or 7.6.4; or
- (d) is outside:
  - i. the Tolerance Range determined in accordance with clause 2.13.6D; or
  - ii. a Facility Tolerance Range determined in accordance with clause 2.13.6E, or, if applicable, varied in accordance with clause 2.13.6H;

System Management must warn the Market Participant about the deviation and request an explanation for the deviation; and cessation of the behaviour within a time that System Management considers reasonable.

#### **New Market Rule 7.10.5B**

Where clause 7.10.5 applies, it is deemed to apply for the entire Trading Interval.

#### **Market Rule 7.10.7**

Where the Market Participant does not comply with the request referred to in clause 7.10.5, System Management:

- (a) may issue directions to the Market Participant in respect of the output of that Registered Facility, without regard for the Dispatch Merit Order, with the objective of minimising the dispatch deviations of the Facility;
- (b) unless the deviation is within the Tolerance Range, must report the failure to comply with the request referred to in clause 7.10.5, to the IMO. ~~As part of the report,~~ System Management must include in the report:
  - i. the circumstances of the failure to comply with clause 7.10.1 and the request referred to in clause 7.10.5;



- ii. any explanation offered by the Market Participant as provided in accordance with clause 7.10.6A;
  - iii. whether System Management issued instructions to the Registered Facilities of the Electricity Generation Corporation or Registered Facilities covered by any Balancing Support Contract or Ancillary Service Contract or issued Dispatch Instructions to other Registered Facilities as a result of the failure; and
  - iv. an assessment of whether the failure threatened Power System Security or Power System Reliability; and
- (c) if the deviation is within the Tolerance Range, may provide a report to the IMO containing the same information as specified in subclause (b).

### Market Rule 10.5.1

10.5.1. The IMO must set the class of confidentiality status for the following information under clause 10.2.1, as Public and the IMO must make each item of information available from the Market Web Site after that item of information becomes available to the IMO:

...

- (y) as soon as possible after a Trading Interval:
  - i. the total generation in that Trading Interval;
  - ii. the total spinning reserve in that Trading Interval;
  - iii. an initial value of the Operational System Load Estimate, taken directly from System Management's EMS/SCADA system.

where these values are to be available from the IMO Web Site for each Trading Interval in the previous 12 calendar months; ~~and~~

- (z) as soon as possible after real-time:
  - i. the total generation;
  - ii. the total spinning reserve;
  - iii. an initial value of the Operational System Load Estimate, taken directly from System Management's EMS/SCADA system;

where these values are not required to be maintained on the IMO Web Site after their initial publication;

(zA) the current Tolerance Range determined by System Management in accordance with clause 2.13.6D, including the information provided to the IMO in accordance with clause 2.13.6D; and

(zB) any Facility Tolerance Ranges determined by System Management in accordance with clause 2.13.6E, including the information provided to the IMO in accordance with clause 2.13.6E, and, if applicable, any

Facility Tolerance Ranges which System Management has been directed to vary by the IMO in accordance with clause 2.13.6H.

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**Tolerance Range:** The amount, determined by System Management under clause 2.13.6D of the Market Rules, by which a Market Participant may deviate from the obligations imposed on it under clause 7.10.1 or clause 3.21 before System Management must report an alleged breach of that clause under clause 2.13.6A.

**Facility Tolerance Range** The amount, determined by System Management under clause 2.13.6E (b) of the Market Rules in relation to a specific Facility, by which a Market Participant may deviate from the obligations imposed on it under clause 7.10.1 or clause 3.21 before System Management must report an alleged breach of that clause under clause 2.13.6A.

## APPENDIX 1: FULL DETAILS OF THE PROPOSAL

### Background

A Rule Participant must comply with the provisions of the Market Rules referred to in clause 2.13.9. Market Rule 2.13.6 requires System Management to monitor and report alleged breaches by a Rule Participant of the Market Rules to the IMO. Since the market began, System Management has, with the knowledge of Rule Participants, implemented a tolerance range before reporting alleged breaches to the IMO. The proposed Market Rule changes will clarify System Management's reporting obligation by expressly allowing for the use of a tolerance range.

This Rule Change Proposal involves changes to clauses 2.13 and 7.10, which will provide guidance for, and increase the transparency of, activities of System Management.

### **Market Rule 2.13**

On a strict literal interpretation of Market Rule 2.13, System Management might be required to report to the IMO alleged breaches even if they are trivial, insignificant or completely immaterial. This interpretation is overly legalistic and does not take into account the realities associated with operating the South West interconnected system (SWIS) in a secure and reliable manner on a day to day basis, nor any other settlement penalties (forced outage refunds, upwards and downwards deviation administered price, for example) which might otherwise be applicable.

The monitoring and reporting obligations that a strict literal interpretation would produce are substantial and System Management does not believe that it is the intention of the Market Rules or the Wholesale Electricity Market objectives to produce this outcome.

Since the market began, System Management has, with the knowledge of the Rule Participants, implemented a tolerance range before reporting the alleged breaches as follows:

- (a) if a Rule Participant's compliance is outside the tolerance range threshold then System Management must report the alleged breach to the IMO; and
- (b) if a Rule Participant's compliance is within the tolerance range then System Management may (or may not) report the alleged breach to the IMO.

The proposed Market Rule changes will clarify System Management's reporting obligation by expressly allowing for the use of a tolerance range.

### **Market Rule 7.10**

The proposed Market Rule changes will clarify System Management's reporting obligation in respect of Market Rule 7.10.1 by expressly allowing System Management to consider whether a Rule Participant is generating at a level above or below its Resource Plan or Dispatch Instruction when using a tolerance range.

Since the market began, System Management has, with the knowledge of Rule Participants, implemented a tolerance range in respect of alleged breaches of Market Rule 7.10.1 as follows:

- (a) if the alleged breach is within the tolerance range then System Management may (or may not) report the alleged breach to the IMO;
- (b) if the alleged breach is outside the tolerance range and it relates to the Rule Participant generating at a level above its Resource Plan or Dispatch Instruction, then System Management must report the alleged breach to the IMO; and
- (c) if the alleged breach is outside the tolerance range and it relates to the Rule Participant generating at a level below its Resource Plan or Dispatch Instruction, and the Rule Participant has logged a Forced Outage then System Management may (or may not) report the alleged breach to the IMO.

Market Rule 7.10.5 requires System Management to warn a Rule Participant in certain circumstances when the Rule Participant is in alleged breach of Market Rule 7.10.1. Since the market began, System Management has, with the knowledge of the Rule Participants, only warned a Rule Participant of an alleged breach when the Rule Participant's compliance is outside the tolerance range threshold. This reflects the fact that a Resource Plan provides a required average MW value over a half hour – therefore “real-time” deviations are difficult to identify because the Resource Plan does not indicate the actual output of the Facility at any particular moment. However, a strict and literal reading of Market Rule 7.10.5 requires System Management to warn a Rule Participant even when the Rule Participant's alleged breach is within the tolerance range, which would impose a substantial monitoring and reporting obligations on System Management.

The proposed Market Rule changes will clarify System Management's obligations in respect of Market Rule 7.10.5 by expressly stating that System Management is not obliged to issue a warning to a Rule Participant if the Rule Participant's alleged breach is within the tolerance range.

### **Summary**

The proposed Market Rule change will clarify System Management's reporting obligations by expressly allowing for the use of a tolerance range. Given the significant differences between facilities in the SWIS it is not proposed to incorporate tolerances themselves within the rule change; rather, the tolerance will be determined (and made transparent) by System Management in a similar fashion to the way System Management currently determines the content of the equipment list for the purposes of outage planning (refer clause 3.18.2 of the Market Rules).

System Management submits that this rule change will ensure consistency between the Market Rules and the long standing practices of System Management and will not have an adverse impact upon system security or reliability. In addition, the rule change will not affect settlement outcomes nor constrain the ability of the IMO to investigate behaviour which might not be reported to the IMO under the tolerance regime.

## APPENDIX 2: PROPOSED AMENDING RULES IN THE RULE CHANGE PROPOSAL

System Management proposed the following amendments to the Market Rules in its Rule Change Proposal (~~deleted text~~, added text):

### Market Rule 2.13.6

System Management must monitor Rule Participants' behaviour for compliance with the provisions of the Market Rules referred to in clause 2.13.9 and Market Procedures developed by System Management. ~~System Management must report any alleged breaches of those provisions or Market Procedures to the IMO, in accordance with the Monitoring and Reporting Protocol.~~

### New Market Rule 2.13.6A

Subject to clause 2.13.6B, System Management must report any alleged breaches of those provisions or Market Procedures to the IMO, in accordance with the Monitoring and Reporting Protocol.

### New Market Rule 2.13.6B

System Management is not required to report an alleged breach by a Rule Participant of the clauses of the Market Rules referred to in Market Rule 2.13.9 or the Power System Operation Procedures developed by System Management to the IMO if:

- (a) the extent of the alleged breach is within the Facility Tolerance Range; or
- (b) the breach is limited to occurring within a single Trading Interval; or
- (c) the alleged breach relates to clause 7.10.1 and is outside the Facility Tolerance Range, if:
  - i. the Rule Participant has notified System Management of a Forced Outage in accordance with clause 3.21.4 that is applicable to the period of the alleged breach; and
  - ii. the alleged breach relates to the Rule Participant generating at a level below its Resource Plan or the Dispatch Instruction applicable to the relevant Forced Outage period,

provided that nothing in this clause will relieve System Management of its obligation to report to the IMO any other alleged breach by a Rule Participant of clause 7.10.1.

### New Market Rule 2.13.6C

Nothing in clause 2.13.6B relieves:

- (a) System Management from its obligation to monitor Rule Participants' behaviour pursuant to clause 2.13.6; or
- (b) Rule Participants' from the obligation to fully comply with the provisions of the Market Rules and Power System Operation Procedures (including where

any breach may be within the Facility Tolerance Range whether or not the alleged breach is reported by System Management).

#### **New Market Rule 2.13.6D**

System Management may determine the Facility Tolerance Range to apply to each Facility and for each relevant Market Rule or Power System Operation Procedures. System Management:

- (a) may review the Facility Tolerance Range from time to time and may change the Tolerance Range to apply to any one or more Facilities from time to time;
- (b) must not set a Facility Tolerance Range exceeding 50% of the Reserve Capacity for that Facility where the obligation relates to MW output;
- (c) may determine a different Facility Tolerance Range for a Facility based on one or more of the following factors:
  - i. the time of the year;
  - ii. the time of the day;
  - ii. the Market Rule in question; and
  - iv. any other matter considered relevant by System Management for a Facility;
- (d) must review the Facility Tolerance Range for a Facility at least yearly;
- (f) must consult with the affected Facility before publishing a Facility Tolerance Range; and
- (g) must submit the Facility Tolerance Range for each Facility to the IMO for publishing on the Market Web-site, including an effective date for the commencement of the Facility Tolerance Range, at least 14 Business Days prior to the date from which change to the Facility Tolerance Range becomes effective.

#### **New Market Rule 2.13.6E**

The IMO must publish any Facility Tolerance Range information within 5 Business Days of being provided that information by System Management.

#### **New Market Rule 2.13.6F**

System Management must not show bias towards a Rule Participant in respect to the Facility Tolerance Range.

#### **New Market Rule 2.13.6G**

A Rule Participant may request, in writing, that the IMO reassess a Facility Tolerance Range for that Rule Participant's Facility. Once such a request is made in writing:

- (a) the IMO must consult with System Management and the Rule Participant concerning the Facility Tolerance Range;

- (b) the IMO may give a direction to System Management to vary a Facility Tolerance Range where it finds that:
- i. System Management has not followed the Market Rules or the Power System Operation Procedure in determining the Facility Tolerance Range; or
  - ii. The IMO deems, based on the information provided by the Rule Participant, that the Facility Tolerance Range is not reasonable.
- (c) the IMO must complete the assessment within 10 Business Days from receipt of the request.

### **New Market Rule 2.13.6G**

Where the IMO makes a direction under clause 2.13.6G, that direction will apply until the next review occurs as per clause 2.13.6D.

### **Market Rule 2.13.8**

If System Management becomes aware of an alleged breach of the Market Rules referred to in clause 2.13.9 or Power System Operation Procedures as a result of its monitoring activities, then it must:

- (a) record the alleged breach of the Market Rules or Market Procedures; and
- (b) subject to clause 2.13.6B, notify the IMO of the alleged breach in accordance with clause 2.13.6 or, in the case of an alleged breach by the IMO, notify the person referred to in clause 2.13.1 in accordance with clause 2.13.5.

### **Market Rule 7.10.5**

Subject to clause 7.10.5A, where System Management considers that a Market Participant has not complied with clause 7.10.1 in relation to any of its Registered Facilities in a manner that:

- (a) threatens Power System Security or Power System Reliability;
- (b) would require System Management to issue instructions to the Registered Facilities of the Electricity Generation Corporation or Registered Facilities covered by any Balancing Support Contract or Ancillary Service Contract; or
- (c) would require System Management to issue Dispatch Instructions to other Registered Facilities in accordance with clauses 7.6.3 or 7.6.4;

~~System Management must warn the Market Participant about the deviation and request an explanation for the deviation; and cessation of the behaviour within a time that System Management considers reasonable.~~  
then clause 7.105B applies.

### **New Market Rule 7.10.5B**

If clause 7.10.5 applies, provided that the behaviour does not fall within the Facility Tolerance Range for that Facility, System Management must



- (a) warn the Market Participant about the deviation; and
- (b) request an explanation for the deviation; and
- (c) request cessation of the behaviour within a time that System Management considers reasonable,

**Market Rule 7.10.5C**

Where clause 7.10.5B applies, it is deemed to apply for the entire Trading Interval.

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**Facility Tolerance Range:** The quantity by which the availability, generation or demand of a Rule Participant, as measured by SCADA data or other information available to System Management, can deviate from each obligation imposed under the Market Rules before System Management must allege a breach, as determined under clause 2.13.6A.

## APPENDIX 3: ADDITIONAL AMENDMENTS MADE BY THE IMO IN THE DRAFT REPORT

The IMO made some amendments to the Amending Rules following its assessment of the first submission period responses and the additional amendments proposed by System Management and Alinta. These are as follows:

### Market Rule 2.13.6

System Management must monitor Rule Participants' behaviour for compliance with the provisions of the Market Rules referred to in clause 2.13.9 and ~~Market Procedures~~ the Power System Operation Procedures developed by System Management. ~~System Management must report any alleged breaches of those provisions or Market Procedures to the IMO, in accordance with the Monitoring and Reporting Protocol.~~

### New Market Rule 2.13.6A

Subject to clause 2.13.6B, System Management must report any alleged breaches of ~~these~~ the provisions of the Market Rules referred to in clause 2.13.9 or Market Procedures the Power System Operation Procedures to the IMO, in accordance with the Monitoring and Reporting Protocol.

### New Market Rule 2.13.6B

System Management is not required to report an alleged breach by a ~~Rule~~ Market Participant of ~~the clauses 7.10.1 or clause 3.21 of the Market Rules referred to in Market Rule 2.13.9 or the Power System Operation Procedures developed by System Management to the IMO if:~~

- (a) the extent of the alleged breach is either within the ~~Facility~~ Tolerance Range established under clause 2.13.6D or the Facility Tolerance Range established under clause 2.13.6E; or
- (b) the alleged breach is limited to occurring within a single Trading Interval; or
- (c) in the case of an alleged breach of clause 7.10.1, the alleged breach relates to clause 7.10.1 and is outside the Facility Tolerance Range or Facility Tolerance Range, as applicable, where if:
  - i. the Rule Participant has notified System Management of a Forced Outage in accordance with clause 3.21.4 that is applicable to the period of the alleged breach; and
  - ii. the alleged breach relates to the Rule Participant generating at a level below its Resource Plan or the Dispatch Instruction applicable to the relevant Forced Outage period;

~~provided that nothing in this clause will relieve System Management of its obligation to report to the IMO any other alleged breach by a Rule Participant of clause 7.10.1.~~

### **New Market Rule 2.13.6C**

Nothing in clause 2.13.6B relieves:

- (a) System Management from its obligation to monitor Rule Participants' ~~behaviour pursuant to clause 2.13.6~~ compliance with the provisions of the Market Rules referred to in clause 2.13.9 and the Power System Operation Procedures developed by System Management;
- (b) ~~System Management of its obligation to report to the IMO any alleged breach by a Market Participant of clause 7.10.1 or clause 3.21 not covered under clause 2.13.6B; or~~
- (c) Rule Participants from the obligation to fully comply with the Market Rules and Power System Operating Procedures, ~~(including where any breach may be within the Tolerance Range or Facility Tolerance Range whether or not the alleged breach is reported by System Management)~~ regardless of whether System Management is required under the Market Rules to report any alleged breach to the IMO.

### **New Market Rule 2.13.6D**

System Management may determine the ~~Facility Tolerance Range to apply to each all Facilities for the purposes of System Management's reporting of alleged breaches of clause 7.10.1 and clause 3.21 to the IMO under clause 2.13.6A,~~ and relevant Market Rules or Power System Operation Procedures. When determining the appropriate Tolerance Range to apply for all Market Participants, System Management must:

- (a) ~~may review the Facility Tolerance Range from time to time and may change the Tolerance Range to apply to any one or more Facilities from time to time;~~
- (b) ~~must not set a Facility Tolerance Range exceeding 50% of the Reserve Capacity for that Facility where the obligation relates to MW output;~~
- (c) ~~may determine a different Facility Tolerance Range for a Facility based on one or more of the following factors:~~
  - i. ~~the time of the year;~~
  - ii. ~~the time of the day;~~
  - ii. ~~the Market Rule in question; and~~
  - iv. ~~any other matter considered relevant by System Management for a Facility;~~
- (d) ~~must review the Facility Tolerance Range for a Facility at least yearly;~~
- (f) ~~must consult with the affected Facility before publishing a Facility Tolerance Range; and~~
- (g) ~~must submit the Facility Tolerance Range for each Facility to the IMO for publishing on the Market Web-site, including an effective date for the commencement of the Facility Tolerance Range, at least 14 Business Days prior to the date from which change to the Facility Tolerance Range becomes effective.~~
- (a) consult with Market Participants prior to setting the Tolerance Range; and

- (b) submit to the IMO for publication on the Market Web Site at least 14 Business Days prior to the date from which change to the Tolerance Range becomes effective, the following:
- i. all submissions received from Market Participants;
  - ii. the Tolerance Range; and
  - iii. an effective date for the commencement of the Tolerance Range.

#### **New Market Rule 2.13.6E**

~~The IMO must publish any Facility Tolerance Range information within 5 Business Days of being provided that information by System Management.~~

System Management may establish a Facility Tolerance Range to apply to a specific generation Facility for the purposes of System Management's reporting of alleged breaches of clause 7.10.1 and clause 3.21 to the IMO under clause 2.13.6A. A Facility Tolerance Range will apply for a specific generation Facility in place of the Tolerance Range determined under clause 2.13.6D. When determining the Facility Tolerance Range to apply for the specific generation Facility, System Management must:

- (a) consult with Rule Participants prior to setting the Facility Tolerance Range; and
- (b) submit to the IMO for publication on the Market Web Site at least 14 Business Days prior to the date from which any changes to the Facility Tolerance Range become effective the following:
  - i. the reasons for System Management's decision;
  - ii. any submissions received from Rule Participants;
  - iii. the applicable Facility Tolerance Range; and
  - iv. an effective date for the commencement of the applicable Facility Tolerance Range.

#### **New Market Rule 2.13.6F**

~~System Management must not show bias towards a Rule-Market Participant in respect to the Facility Tolerance Range.~~

#### **New Market Rule 2.13.6G**

~~A Rule Participant may request, in writing, that the IMO reassess a Facility Tolerance Range for that Rule Participant's Facility. Once such a request is made in writing:~~

- (a) ~~the IMO must consult with System Management and the Rule Participant concerning the Facility Tolerance Range;~~
- (b) ~~the IMO may give a direction to System Management to vary a Facility Tolerance Range where it finds that:~~
  - i. ~~System Management has not followed the Market Rules or the Power System Operation Procedures in determining the Facility Tolerance Range; or~~

- ii. ~~the IMO deems, based on the information provided by the Rule Participant, that the Facility Tolerance Range is not reasonable.~~
- (c) ~~the IMO must complete the assessment within 10 Business Days from receipt of the request.~~

System Management must review the Tolerance Range and any Facility Tolerance Ranges at least annually. System Management may vary the Tolerance Range and any Facility Tolerance Ranges following this review.

#### **New Market Rule 2.13.6H**

~~Where the IMO makes a direction under clause 2.13.6G, that direction will apply until the next review occurs as per clause 2.13.6D~~

A Market Participant may request in writing that the IMO reassess a Facility Tolerance Range for that Market Participant's Facility. Once such a request is made in writing:

- (a) the IMO must consult with System Management and the Market Participant concerning the Facility Tolerance Range;
- (b) the IMO may give a direction to System Management to vary a Facility Tolerance Range where it finds that:
  - i. System Management has not followed the relevant Market Rules or any relevant Power System Operation Procedures in determining the Facility Tolerance Range; or
  - ii. the IMO deems, based on the information provided by the Market Participant and System Management, that the Facility Tolerance Range is not reasonable.
- (c) the IMO must use best endeavours to complete the assessment within 10 Business Days from receipt of the request.

#### **New Market Rule 2.13.6I**

Where the IMO makes a direction under clause 2.13.6H that direction will apply until the Tolerance Range or Facility Tolerance Range, as applicable, is varied in accordance with clause 2.13.6G.

#### **New Market Rule 2.13.6J**

The IMO must publish all information provided pursuant to clauses 2.13.6D and 2.13.6E on the Market Web Site within 5 Business Days of receipt.

#### **New Market Rule 2.13.6K**

System Management must document the procedure it follows in determining the annual Tolerance Range and any Facility Tolerance Ranges to apply for the purposes of clause 7.10.1 and clause 3.21 of the Market Rules in the Power System Operation Procedure and System Management and Market Participants must follow that documented Power System Operation Procedure.

#### **Market Rule 2.13.7**

System Management must ensure it has processes and systems in place to allow it to monitor Rule Participants' behaviour in accordance with clauses 2.13.6 and 2.13.6A.

### **Market Rule 2.13.8**

If System Management becomes aware of an alleged breach of the provisions of the Market Rules referred to in clause 2.13.9 or the Power System Operation Procedures as a result of its monitoring activities, then it must:

- (a) record the alleged breach of the provisions of the Market Rules referred to in clause 2.13.9 or Market Procedures the Power System Operation Procedures; and
- (b) subject to clause 2.13.6B, notify the IMO of the alleged breach in accordance with clause 2.13.6 or, in the case of an alleged breach by the IMO, notify the person referred to in clause 2.13.1 in accordance with clause 2.13.5.

### **Market Rule 7.10.5**

Subject to clause 7.10.5A, where System Management considers that a Market Participant has not complied with clause 7.10.1 in relation to any of its Registered Facilities in a manner that:

- (a) threatens Power System Security or Power System Reliability; or
- (b) would require System Management to issue instructions to the Registered Facilities of the Electricity Generation Corporation or Registered Facilities covered by any Balancing Support Contract or Ancillary Service Contract; or
- (c) would require System Management to issue Dispatch Instructions to other Registered Facilities in accordance with clauses 7.6.3 or 7.6.4; and
- (d) is outside the Tolerance Range determined in accordance with clause 2.13.6D or a Facility Tolerance Range determined in accordance with clause 2.13.6E;

~~then clause 7.10.5B applies.~~ System Management must warn the Market Participant about the deviation and request an explanation for the deviation; and cessation of the behaviour within a time that System Management considers reasonable.

### **New Market Rule 7.10.5B**

~~If clause 7.10.5 applies, provided that the behaviour does not fall within the Facility Tolerance Range for that Facility, System Management must~~

- ~~(a) warn the Market Participant about the deviation; and~~
- ~~(b) request an explanation for the deviation; and~~
- ~~(c) request cessation of the behaviour within a time that System Management considers reasonable;~~

Where clause 7.10.5 applies, it is deemed to apply for the entire Trading Interval.

### Market Rule 7.10.5C

~~Where clause 7.10.5B applies, it is deemed to apply for the entire Trading Interval.~~

### Market Rule 7.10.7

Where the Market Participant does not comply with the request referred to in clause 7.10.5, System Management:

- (a) may issue directions to the Market Participant in respect of the output of that Registered Facility, without regard for the Dispatch Merit Order, with the objective of minimising the dispatch deviations of the Facility;
- (b) unless the deviation is within the Tolerance Range, must report the failure to comply with the request referred to in clause 7.10.5, to the IMO. ~~As part of the report,~~ System Management must include in the report:
  - i. the circumstances of the failure to comply with clause 7.10.1 and the request referred to in clause 7.10.5;
  - ii. any explanation offered by the Market Participant as provided in accordance with clause 7.10.6A;
  - iii. whether System Management issued instructions to the Registered Facilities of the Electricity Generation Corporation or Registered Facilities covered by any Balancing Support Contract or Ancillary Service Contract or issued Dispatch Instructions to other Registered Facilities as a result of the failure; and
  - iv. an assessment of whether the failure threatened Power System Security or Power System Reliability.
- (c) if the deviation is within the Tolerance Range, may provide a report to the IMO containing the same information as specified in subclause (b).

## Chapter 11

~~**Facility Tolerance Range:** The quantity by which the availability, generation or demand of a Rule Participant, as measured by SCADA data or other information available to System Management, amount, determined by System Management under clause 2.13.6D of the Market Rules, by which a Market Participant can from each obligation imposed under clause 2.13.9 of the Market Rules may deviate from the obligations imposed on it under clause 7.10.1 or clause 3.21 before System Management must report an alleged a breach of that clause, as determined under clause 2.13.6A.~~

**Facility Tolerance Range:** The amount, determined by System Management under clause 2.13.6E (c) of the Market Rules in relation to a specific Facility, by which a Market Participant may deviate from the obligations imposed on it under clause 7.10.1 or clause 3.21 before System Management must report an alleged breach of that clause under clause 2.13.6A.

## APPENDIX 4: ADDITIONAL AMENDMENTS MADE BY THE IMO IN THE FINAL REPORT

The IMO made some amendments to the Amending Rules following its assessment of the second submission period responses. These changes are as follows (~~deleted text~~, added text):

### **New Market Rule 2.13.6C**

Nothing in clause 2.13.6B relieves:

- (a) System Management from its obligation to monitor Rule Participants' compliance with the provisions of the Market Rules referred to in clause 2.13.9 and the Power System Operation Procedures developed by System Management;
- (b) System Management of its obligation to report to the IMO any alleged breach by a Market Participant of clause 7.10.1 or clause 3.21 not covered under clause 2.13.6B; or
- (c) Rule Participants from the obligation to fully comply with the Market Rules and the Power System Operation Procedures, regardless of whether System Management is required under the Market Rules to report any alleged breach to the IMO.

### **New Market Rule 2.13.6E**

System Management may ~~establish~~ determine a Facility Tolerance Range to apply to a specific generation Facility for the purposes of System Management's reporting of alleged breaches of clause 7.10.1 and clause 3.21 to the IMO under clause 2.13.6A. A Facility Tolerance Range will apply for a specific generation Facility in place of the Tolerance Range determined under clause 2.13.6D. When determining the Facility Tolerance Range to apply for the specific generation Facility, System Management must:

- (a) consult with Rule Participants prior to setting the Facility Tolerance Range; and
- (b) submit to the IMO for publication on the Market Web Site at least 14 Business Days prior to the date from which any changes to the Facility Tolerance Range become effective the following:
  - i. the reasons for System Management's decision;
  - ii. any submissions received from Rule Participants;
  - iii. the applicable Facility Tolerance Range; and
  - iv. an effective date for the commencement of the applicable Facility Tolerance Range.

### **New Market Rule 2.13.6H**

A Market Participant may request in writing that the IMO reassess a Facility Tolerance Range for that Market Participant's Facility. Once such a request is made in writing:



- (a) the IMO must consult with System Management and the Market Participant concerning the Facility Tolerance Range;
- (b) the IMO may give a direction to System Management to vary a Facility Tolerance Range where it finds that:
  - ii. System Management has not followed the relevant Market Rules or any relevant Power System Operation Procedures in determining the Facility Tolerance Range; or
  - ii. the IMO deems, based on the information provided by the Market Participant and System Management, that the Facility Tolerance Range is not reasonable;
- (c) the IMO must use best endeavours to complete the assessment within 10 Business Days from receipt of the request; and
- (d) the IMO must publish any direction provided to System Management to vary a Facility Tolerance Range on the Market Web Site within 5 Business Days of issuing that direction.

#### **New Market Rule 2.13.6I**

Where the IMO makes a direction under clause 2.13.6H, that direction will apply until the ~~Tolerance Range or Facility Tolerance Range, as applicable,~~ is varied in accordance with clause 2.13.6G.

#### **New Market Rule 2.13.6K**

System Management must document the procedure ~~it follows in~~ for determining and reviewing the annual Tolerance Range and any Facility Tolerance Ranges to apply for the purposes of clause 7.10.1 and clause 3.21 of the Market Rules in the Power System Operation Procedure, and System Management and Market Participants must follow that documented Power System Operation Procedure.

#### **Market Rule 7.10.5**

Subject to clause 7.10.5A, where System Management considers that a Market Participant has not complied with clause 7.10.1 in relation to any of its Registered Facilities in a manner that:

- (a) threatens Power System Security or Power System Reliability; or
- (b) would require System Management to issue instructions to the Registered Facilities of the Electricity Generation Corporation or Registered Facilities covered by any Balancing Support Contract or Ancillary Service Contract; or
- (c) would require System Management to issue Dispatch Instructions to other Registered Facilities in accordance with clauses 7.6.3 or 7.6.4; and or
- (d) is outside:
  - i. the Tolerance Range determined in accordance with clause 2.13.6D; or

- ii. a Facility Tolerance Range determined in accordance with clause 2.13.6E, or, if applicable, varied in accordance with clause 2.13.6H;

System Management must warn the Market Participant about the deviation and request an explanation for the deviation; and cessation of the behaviour within a time that System Management considers reasonable.

#### **Market Rule 7.10.7**

Where the Market Participant does not comply with the request referred to in clause 7.10.5, System Management:

- (a) may issue directions to the Market Participant in respect of the output of that Registered Facility, without regard for the Dispatch Merit Order, with the objective of minimising the dispatch deviations of the Facility;
- (b) unless the deviation is within the Tolerance Range, must report the failure to comply with the request referred to in clause 7.10.5, to the IMO. System Management must include in the report:
  - i. the circumstances of the failure to comply with clause 7.10.1 and the request referred to in clause 7.10.5;
  - ii. any explanation offered by the Market Participant as provided in accordance with clause 7.10.6A;
  - iii. whether System Management issued instructions to the Registered Facilities of the Electricity Generation Corporation or Registered Facilities covered by any Balancing Support Contract or Ancillary Service Contract or issued Dispatch Instructions to other Registered Facilities as a result of the failure; and
  - iv. an assessment of whether the failure threatened Power System Security or Power System Reliability; and
- (c) if the deviation is within the Tolerance Range, may provide a report to the IMO containing the same information as specified in subclause (b).

#### **Market Rule 10.5.1**

10.5.1. The IMO must set the class of confidentiality status for the following information under clause 10.2.1, as Public and the IMO must make each item of information available from the Market Web Site after that item of information becomes available to the IMO:

...

- (y) as soon as possible after a Trading Interval:
  - i. the total generation in that Trading Interval;
  - ii. the total spinning reserve in that Trading Interval;
  - iii. an initial value of the Operational System Load Estimate, taken directly from System Management's EMS/SCADA system;

where these values are to be available from the IMO Web Site for each Trading Interval in the previous 12 calendar months; ~~and~~

- (z) as soon as possible after real-time:
  - i. the total generation;
  - ii. the total spinning reserve;
  - iii. an initial value of the Operational System Load Estimate, taken directly from System Management's EMS/SCADA system;

where these values are not required to be maintained on the IMO Web Site after their initial publication;

- (zA) the current Tolerance Range determined by System Management in accordance with clause 2.13.6D, including the information provided to the IMO in accordance with clause 2.13.6D; and
- (zB) any Facility Tolerance Ranges determined by System Management in accordance with clause 2.13.6E, including the information provided to the IMO in accordance with clause 2.13.6E, and, if applicable, any Facility Tolerance Ranges which System Management has been directed to vary by the IMO in accordance with clause 2.13.6H.

**Facility Tolerance Range:** The amount, determined by System Management under clause 2.13.6E (eb) of the Market Rules in relation to a specific Facility, by which a Market Participant may deviate from the obligations imposed on it under clause 7.10.1 or clause 3.21 before System Management must report an alleged breach of that clause under clause 2.13.6A.