
Wholesale Electricity Market Rule Change Discussion Paper

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Change requested by

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Urgency:	Standard Rule Change Process
Change Proposal title:	Removal of Network Control Services expression of interest and tender process from the Market Rules
Market Rules affected:	Clauses 2.1.2, 2.8.13, 2.17.1, 2.22.1, 2.37.6, 2.37.7, 2.37.8, 2.38.1, 2.38.2, 2.38.3, 2.38.4, 2.38.5, 5.1.1, 5.1.2, 5.1.3, 5.1.4, 5.2.1, 5.2.2, 5.2.3, 5.2.4, 5.2.5, 5.2.6, 5.2.7, 5.3.1, 5.3.2, 5.3.3, 5.3.4, 5.3.5, 5.3.6, 5.3.7, 5.3.8, 5.3.9, 5.4.1, 5.4.2, 5.4.3, 5.4.4, 5.4.5, 5.4.6, 5.4.7, 5.4.8, 5.4.9, 5.4.10, 5.4.11, 5.4.12, 5.4.13, 5.4.14, 5.5.1, 5.5.2, 5.5.3, 5.5.4, 5.6.1, 5.6.2, 5.6.3, 5.7.1, 5.7.2, 5.8.1, 5.8.2, 5.8.3, 5.8.4, 5.8.5, 5.8.6, 5.8.7, 5.8.8, 5.9.1, 6.17.6, 7.1.1, 7.6.6, 9.12.1, 9.12.2, 9.14.1, 9.14.2, 9.18.3, 9.24.3, the Glossary and Appendix 1 with the addition of new clauses 5.2A.1, 5.2A.2, 5.2A.3, 5.3A.1, 5.3A.2, 5.3A.3, 5.3A.4, 5.9.2, 5.9.3 and 10.5.1(vD).

Introduction

Clause 2.5.1 of the Wholesale Electricity Market Rules (Market Rules) provides that any person (including the Independent Market Operator (IMO)) may make a Rule Change Proposal by submitting a completed Rule Change Proposal form to the IMO.

This Rule Change Proposal can be posted, faxed or emailed to:

Independent Market Operator

Attn: Manager Market Development and System Capacity
PO Box 7096
Cloisters Square, Perth, WA 6850

Fax: (08) 9254 4339

Email: market.development@imowa.com.au



The IMO will assess the proposal and, within five Business Days of receiving this Rule Change Proposal form, will notify you whether the Rule Change Proposal will be further progressed.

In order for the proposal to be progressed, all fields below must be completed and the proposal must explain how it will enable the Market Rules to better contribute to the achievement of the wholesale electricity market objectives. The objectives of the market are:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- (c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.

Details of the proposed Market Rule Change

1. Describe the concern with the existing Market Rules that is to be addressed by the proposed Market Rule change:

Background

A Network Control Service (NCS) is a service provided by generation or Demand Side Management (DSM) that can be a substitute for transmission or distribution network upgrades. An NCS is provided under a Network Control Service Contract (NCSC).

Chapter 5 of the Wholesale Electricity Market Rules (Market Rules) currently outlines the process for NCS procurement and how this service would be operated within the context of the Wholesale Electricity Market (WEM). The chapter includes the Independent Market Operator (IMO) tendering for NCS, contracting for NCS, how the service would be paid for and related compliance and settlement issues.

An NCSC allows System Management to issue real time dispatch instructions to a Facility as required to maintain system security and reliability. This is within the availability limits of the contract. For its part, the Facility providing an NCS gets guaranteed minimum revenue and is not precluded from operating in the energy market.



The current Market Rules require that a Market Participant contracted to provide an NCS must seek certification for Reserve Capacity for the relevant Facility. To the extent that such a Facility is certified, it will be issued Capacity Credits and settled at the prevailing Reserve Capacity price. The NCS payment for a Facility will be reduced by the value of Capacity Credits held by the Facility. There is currently also no restriction on an NCS facility trading its Capacity Credits bilaterally. To the extent this happens, its payment under the Reserve Capacity Mechanism will be reduced.

The energy price that is associated with a Facility providing NCS would be used as the pay-as-bid price in balancing whenever the service is called upon. Apart from the energy payment, which is settled in balancing, the IMO recovers the cost of the payments made under the NCS contract from the relevant Network Operator.

Late in 2009, the policy reasons for the original procurement framework were examined in greater detail. As such, the Office of Energy presented an issues paper at the April 2010 Market Advisory Committee (MAC) meeting¹, which recommended that the IMO give consideration to removing the requirement on the IMO to conduct the EOI and tender processes. The MAC endorsed this concept.

Issue: IMO undertaking tender process

The Office of Energy issues paper noted that chapter 5 is triggered by the Network Operator requesting that the IMO undertake an expression of interest (EOI) process for an NCS under a requirement within the Access Code. No such requirement exists in the Access Code, so it is considered that Chapter 5 could never be formally triggered under the requirements of the Access Code.

The Office of Energy stated that it would appear that the original policy intent, in having the IMO undertake an NCS process and then outlining how the costs are to be allocated, reflected the vertically integrated nature of Western Power at the time of drafting. Since then, Western Power has been disaggregated, with the networks business being separated from generation and retail businesses and regulated under the Access Code.

The Office of Energy issues paper suggested that the need for an NCS instead of a more expensive network enhancement solution would be considered under the Regulatory Test requirements of Chapter 9 of the Access Code. The Regulatory Test only applies to major enhancements, which are defined as exceeding the threshold capital costs of \$15 million for distribution and \$30 million for transmission projects.

Therefore, the Office of Energy considered that in evaluating any NCS proposal, it would need to be compared to network alternatives within a Regulatory Test environment. Also, the Network Operator would want certainty from the ERA that any NCS costs that it bears can be passed on to network users or potential users.

From the above, the Office of Energy recommended that an NCS, as an option to network augmentation, is more efficiently and effectively addressed by Western Power under the Access Code, with regulatory oversight by the ERA.

¹ www.imowa.com.au/Special_Meeting_No2

Proposal:

The proposal is to remove the NCS EOI, tender and contracting processes from Chapter 5 of the Market Rules. This will allow a Network Operator to undertake these processes under the regulatory oversight of the ERA, in accordance with the provisions of the Access Code.

Issue: Potential cross subsidies from NCS energy payments

Under the current Market Rules, if System Management instructs a Market Participant to increase output or reduce consumption under an NCSC then the Market Participant is paid its contracted price for the energy dispatched. This can result in a cross subsidy from Market Participants to the SWIS users benefitting from the NCS. The developers of the Market Rules were probably aware of the cross subsidy, but may have considered it to be acceptable as there was an assumption that the quantity of energy dispatched under NCSCs would be low.

However, recent investigations into network constraints in the Eastern Goldfields have raised the possibility of large quantities of energy being dispatched under an NCSC. This could potentially lead to cross subsidies in the order of millions of dollars per year.

If a generation Facility is dispatched by System Management under an NCSC, then (all else being equal) one or more Facilities providing balancing services will reduce output accordingly. The dispatch should have no impact on any other Market Participants. As a result, the energy payment made to the NCS provider will be offset by payments made by balancers. Under the current balancing regime the balancer is usually Verve Energy and so the payments are priced at MCAP.

The situation is slightly different for an NSC provided by a DSM option, where an instruction from System Management to reduce consumption actually reduces the net quantity of energy generated. Assuming no other variations, one or more Facilities providing balancing services would be expected to reduce output to compensate for the reduction in consumption. However, in theory the dispatch would also leave one or more Market Customers with an excess of energy over their Net Contract Positions, which would be sold into the market at MCAP. Assuming an MCAP balancing price, any payments made by the balancing generator(s) would be counteracted by payments made to Market Customers, leaving no amount to offset the energy payment made to the NCS provider.

In order to prevent a cross subsidy, the market should pay an NCS provider no more than the market balancing price for the energy generated in response to an NCS dispatch.

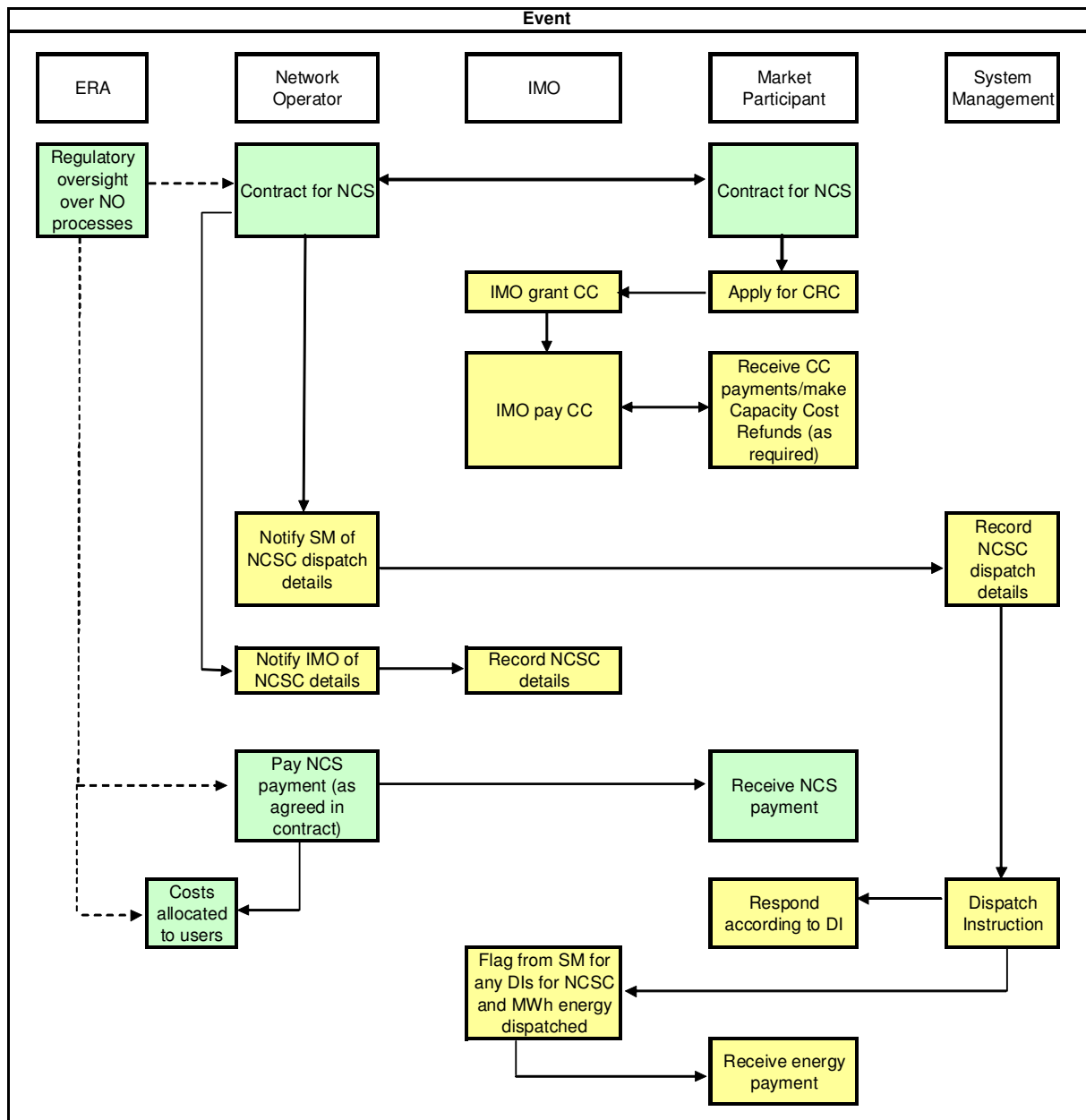
Proposal:

The IMO proposes to amend the Market Rules to change the energy price paid by the market to NCS providers to:

- for NCS provided through generation, MCAP; and
- for NCS provided through DSM, zero.

Overview of proposed process

The proposed amendments facilitate the operation of the NCS process within the broader market processes. This process is outlined in the diagram below (at a high level) with the Market processes indicated in yellow and the off-market processes are indicated in green.



In order to achieve this a number of areas of the Market Rules need to be amended. An explanation of the proposed amendments follows:

Clause/ Section	Explanation of proposed amendments
2.1.2 (e)	Amend IMO role to remove the NCS EOI, Tender and Contract obligations.
2.8.13	Remove the reference to clauses 5.2.3, 5.2.7 and 5.5.1 from the list of protected provisions as these are being removed from chapter 5 (see below).
2.17.1	Remove the reference to clauses 2.37.6, 2.37.7, 5.2.6, 5.2.7 and 5.3.6 from the list of Reviewable Decisions as these decisions are being removed (see below). The IMO will also request that the Office of Energy consider removing these from the Electricity (Wholesale Electricity Market) Regulations.
2.22.1	Delete the reference to chapter 5 in this list of services provided by the IMO for the purposes of the IMO's budget.
2.37 – 2.38	Remove the references to Network Operator in the Credit Limit and Credit Support arrangements as the NCS payment will be a contractual off-market payment. The IMO will also amend the Market Procedure for determining Credit Limits to remove the reference to NCS and Network Operators.
5.1	Amend NCS and NCS contract definitions. Remove clauses 5.1.3 and 5.1.4 as these are related to the procurement process.
5.2, 5.3, 5.4, 5.5 & 5.6	Remove these sections in their entirety. The IMO will also need to repeal the Market Procedure for the Procurement of Network Control Services.
New 5.2A	Add a new section: Registration and Certification. This is to ensure that a Market Participant entering into an NCS contract is registered and applies for Certified Reserve Capacity for the relevant facilities. These clauses are similar in their drafting to the current clauses 5.4.12 and 5.4.13.
New 5.3A	Add a new section: Information required from the Network Operator. This is to ensure that the Network Operator provides: <ul style="list-style-type: none"> • the IMO with the information it requires to settle the energy payments; and • System Management with the information required to enable System Management to dispatch the services.
5.7	<ul style="list-style-type: none"> • Delete clause 5.7.1 as this is covered by the new clause 5.3A.2. • Amend clause 5.7.2 to refer to the information that the Network Operator provides to System Management for Dispatch. • No change to clause 5.7.4.
5.8	Delete entire clause as this will now be an off-market contractual payment between the Network Operator and the NCS Provider. Also the IMO will not be undertaking the procurement process therefore will not need to invoice for its costs associated with this.
5.9.1	Amend clause 5.9.1 to remove the reference to the monthly NCS payment and prices for NCS energy payments.
New 5.9.2 and 5.9.3	Add new clauses requiring the IMO to provide the relevant Network Operator with information about a dispatch under an NCSC.

Clause/ Section	Explanation of proposed amendments
6.17.6(d)	Updated to explicitly exclude instructions made under an NCS contract to a Curtailable Load (as these are covered in clause 6.17.6(e).
6.17.6(e)	Amend the energy price for NCS dispatches to MCAP for generation contracts and zero for DSM contracts. Note that no changes are anticipated to clauses 6.15.1, 6.17.2 and 6.18.3.
7.1.1	Updated to refer to the NCS contract data received from the Network Operator (rather than the IMO) and update the clause reference.
7.6.6	Updated to refer to the NCS contract data received from the Network Operator.
9.12	Remove these clauses as this payment is now an off-market contractual payment.
9.14.1	Remove the reference to Market Participant Network Control Service settlement amount (MPNCSA) as this input (from clause 9.12.1) is no longer required.
9.14.2	Remove this clause as the calculation is no longer required.
9.18.3	Remove the reference to NCS settlement in the non-STEM settlement statement as this has been removed by deleting clause 9.12. This payment is now an off-market contractual payment.
9.24.3	Remove the reference to “payments which the IMO is required to make under Network Control Services” from the list of priority payments for settlement in default situations.
10.5.1(vD)	Add a new clause requiring the IMO to publish reports providing the MWh quantities of energy dispatched under NCSCs by Facility and Trading Interval, similar to those required for Balancing Support Contracts under clause 10.5.1(vC).
Glossary	<ul style="list-style-type: none"> • Credit Limit: Remove the sentence relating to Network Operators. • Monthly Availability Payment: Remove this definition as this payment is now an off-market contractual payment between a Network Operator and a Market Participant contracted to provide an NCS. • Network Control Service: No change to this definition. • Network Control Service Certification: Remove this definition as the NCS certification no longer applies. This was certification for the tender process. • Network Control Service Contract: Amend to refer to a Network Operator and not the IMO. Also remove the reference to a contract entered into pursuant to chapter 5. • Prudential Obligations: Remove the reference to Network Operators.
Appendix 1: Standing data	Delete the references to the limits on the availability of a facility for NCS, the Monthly Availability Payment and the identity of the Network Operator required to fund the Monthly Availability payment.

In addition to the rule changes identified a number of Market Procedures may need amendment. These are:

- Procurement of NCS;
- Prudential Requirements;
- Dispatch;



- Operational Data Points for Generating Plant;
- Operational Data Points for Non Western Power Networks, Substations, and Loads;
- Certification of Reserve Capacity;
- Declaration of Bilateral Trades and Reserve Capacity Auction;
- Facility Registration, de-Registration and Transfer;
- Reserve Capacity Testing; and
- Settlement.

2. Explain the reason for the degree of urgency:

The IMO proposes that the Rule Change Proposal be progressed via the Standard Rule Change Process.

3. Provide any proposed specific changes to particular Rules: (for clarity, please use the current wording of the Rules and place a ~~strikethrough~~ where words are deleted and underline words added)

2.1.2. The functions of the IMO are:

...

- (e) ~~to administer tender processes for Network Control Services where required by these Market Rules and to enter into Network Control Service Contracts;~~ [Blank]

...

2.8.13. The following clauses are Protected Provisions:

- (a) clauses 1.1 to 1.3 and 1.5 to 1.9 ;
- (b) clauses 2.1 to 2.24, 2.28, 2.31.1, 2.31.3, 2.31.5(a), 2.31.6, 2.34.1 and 2.36.1;
- (c) clauses 3.15, 3.18.18 and 3.18.19;
- (d) clauses 4.1.4 to 4.1.12, 4.1.15 to 4.1.19, 4.1.21, 4.1.22, 4.1.24, 4.1.27, 4.5.10, 4.5.11, 4.5.15 to 4.5.20, 4.13.10, 4.13.10A, 4.13.11, 4.13.11A, 4.13.11B, 4.16, 4.24.1, 4.24.2 and 4.24.12;
- (e) ~~clauses 5.2.3, 5.2.7 and 5.5.1;~~ [Blank]
- (f) clauses 9.16.3, 9.16.4 and 9.20.2; and
- (g) clauses 10.1.1, 10.1.2, 10.2.1, 10.3 and 10.4.

2.17.1. Decisions by the IMO made under the following clauses are Reviewable Decisions:

...

- (h) clauses 2.37.1 to 2.37.3;
- (i) ~~clause 2.37.6 and 2.37.7; [Blank]~~
- (j) clause 4.9.9;
- (k) clause 4.15.1;
- (l) clause 4.27.7;
- (m) clause 4.28.7; and
- (n) ~~clauses 5.2.6 and 5.2.7; [Blank]~~
- (o) ~~clause 5.3.6; and [Blank]~~
- (p) clause 10.2.1.

2.22.1. For the purposes of this clause 2.22, the services provided by the IMO are:

- (a) market operation services, including the IMO's operation of the Reserve Capacity market, STEM and Balancing and the IMO's settlement and information release functions;
- (b) system planning services, including the IMO's performance of the Long Term PASA function ~~and functions under Chapter 5~~; and
- (c) market administration services, including the IMO's performance of the Market Rule change process, Market Procedure change process, the operation of the Market Advisory Committee and other consultation, monitoring, enforcement, audit, registration related functions and other functions under these Market Rules.

2.37.6. ~~The IMO must determine a Credit Limit for each Network Operator that is required under these Market Rules to fund a Network Control Service Contract, where this Credit Limit is the dollar amount determined by the IMO as being equal to maximum possible amount payable over a 70 day period under the Network Control Service Contracts relating to the Network Operator. [Blank]~~

2.37.7. ~~The IMO must review the Network Operator's Credit Limit when a Network Control Services Contract relating to the Network Operator commences or terminates. [Blank]~~

2.37.8. The IMO must notify each Market Participant, ~~and each Network Operator required to fund a Network Control Service Contract~~, of their Credit Limit, and provide details of the basis for the determination of the Credit Limit.

2.38.1. Where at any time a Market Participant, ~~or Network Operator that is required to fund a Network Control Service Contract~~, does not meet the Acceptable Credit



- Criteria set out in clause 2.38.6, then the Market Participant, ~~or Network Operator~~ required to fund a Network Control Service Contract, must ensure that the IMO holds the benefit of Credit Support in an amount not less than its Credit Limit.
- 2.38.2. Where a Market Participant's ~~or a Network Operator's~~ existing Credit Support is due to expire or terminate, then that Market Participant ~~or Network Operator~~ must, at least 10 Business Days before the time when the existing Credit Support will expire or terminate, ensure that the IMO holds the benefit of a replacement Credit Support in an amount not less than the level required under clause 2.38.1 that will become effective at the expiry of the existing Credit Support.
- 2.38.3. Where a Market Participant's ~~or a Network Operator's~~ Credit Limit is increased, or where the existing Credit Support is no longer current or valid (for example, because the credit support provider ceases to meet the Acceptable Credit Criteria) or where some or all of the Credit Support has been drawn on by the IMO in accordance with these Market Rules, then that Market Participant ~~or Network Operator~~ must ensure that the IMO holds the benefit of a replacement Credit Support in an amount not less than the level required under clause 2.38.1 within one Business Day.
- 2.38.4. The Credit Support for a Market Participant ~~or Network Operator~~ must be:
- (a) an obligation in writing that:
 - i. is from a credit support provider, who must be an entity which meets the Acceptable Credit Criteria and which itself is not a Market Participant;
 - ii. is a guarantee or bank undertaking in a form prescribed by the IMO;
 - iii. is duly executed by the credit support provider and delivered unconditionally to the IMO;
 - iv. constitutes valid and binding unsubordinated obligations to the credit support provider to pay to the IMO amounts in accordance with its terms which relate to obligations of the relevant Market Participant ~~or Network Operator~~ under the Market Rules; and
 - v. permits drawings or claims by the IMO to a stated amount; or
 - (b) a cash deposit ("**Security Deposit**") made with the IMO by or on behalf of the Market Participant ~~or Network Operator~~.
- 2.38.5. Where Credit Support is provided as a Security Deposit in accordance with clause 2.38.4(b), it will accrue interest daily at the Bank Bill Rate, and the IMO must pay the Market Participant ~~or Network Operator~~ the interest accumulated at the end of each calendar month less any liabilities and expenses incurred by the IMO, including bank fees and charges.

For ease of reference a “clean” version of the proposed chapter 5 is contained in appendix 1 to this Rule Change Proposal.

5 Network Control Services Procurement

Network Control Service Tender Process and Timelines

5.1. Definitions and Obligations

- 5.1.1. A Network Control Service is ~~any service specified according to clause 5.2.1 a~~ service provided by distributed generation or demand side management that can be a substitute for transmission or distribution network upgrades.
- 5.1.2. A Network Control Service Contract is a contract between ~~the IMO~~ a Network Operator and a Market Participant for the Market Participant to provide a Network Control Service.
- 5.1.3. ~~The IMO must not enter into a Network Control Service Contract except:~~
- ~~(a) following a tender process under clause 5.4; or~~
 - ~~(b) in the case of a Network Control Service Contract to apply from Energy Market Commencement, with the approval of the Minister. [Blank]~~
- 5.1.4. ~~The IMO must seek to carry out the expression of interest, certification and tender processes in this Chapter 5 in a way that minimises its costs of doing so. [Blank]~~

5.2. Network Control Service Procurement Requirements [Blank]

- 5.2.1. ~~Where required by the Access Code to submit a major augmentation, as defined in the Access Code, to the tender process set out in the Market Rules, a Network Operator must notify the IMO of the opportunity for network support generation or Demand Side Management to compete with a transmission or distribution upgrade. The notification must include:~~
- ~~(a) a specification of the services that would be required from the facility, including:
 - ~~i. the maximum active and reactive power quantities required, specified in MW and MVAR;~~
 - ~~ii. the estimated number of hours per year that the services would be required; and~~
 - ~~iii. the required period of notice to call upon the services;~~~~

- (b) ~~the location at which the facility would need to connect to the relevant network;~~
 - (c) ~~the Network Operator's estimate of the costs involved in connecting a generation facility that could provide the services specified in paragraph (a) from the location specified in paragraph (b);~~
 - (d) ~~the date by which the facility is required to be in service;~~
 - (e) ~~the Network Operator's estimate of the cost of an augmentation to the Network that would provide the services; and~~
 - (f) ~~the minimum period over which the services would be required, from the date specified in paragraph (d). [Blank]~~
- 5.2.2. ~~The minimum period over which the Network Control Service is required is the period specified under clause 5.2.1(f). The IMO may at any time extend the length of the contracted period. [Blank]~~
- 5.2.3. ~~The IMO must call for expressions of interest from potential service providers to identify whether any other person could provide the required Network Control Service. [Blank]~~
- 5.2.4. A person (“**potential service provider**”) may submit a written expression of interest to the IMO indicating that the potential service provider considers that it would be able to provide the Network Control Service. The expression of interest must contain:
- (a) ~~the approximate quantity of the Network Control Service that the potential service provider would be able to supply;~~
 - (b) ~~whether the Network Control Service will be provided by a generation facility or Demand Side Management option;~~
 - (c) ~~indicative arrangements for activating the Network Control Service;~~
 - (d) ~~the approximate cost of the Network Control Service; and~~
 - (e) ~~other material terms and conditions which the potential service provider proposes would apply to the provision of the Network Control Service. [Blank]~~
- 5.2.5. ~~An expression of interest is not binding on the potential service provider. A person is not required to have submitted an expression of interest to submit a tender response for any Network Control Service tender under clause 5.4. [Blank]~~
- 5.2.6. ~~Where, after considering the responses to the expression of interest, the IMO identifies that no person could provide the required Network Control Service for a~~



~~cost that is less than 50% above the Network Operator's estimate referred to in clause 5.2.1(e), then the IMO must:~~

- ~~(a) — notify that Network Operator that there are no other alternative providers; and~~
- ~~(b) — notify each person that submitted an expression of interest that no tender will be held.— [Blank]~~

~~5.2.7. Where the IMO identifies that a person other than the Network Operator described in clause 5.2.1 could provide the required Network Control Service, for a cost that is less than 50% above the Network Operator's estimate referred to in clause 5.2.1(e), then the IMO must:~~

- ~~(a) — make the announcement in clause 5.4.1 within 10 Business Days of the closing date for expressions of interest; and~~
- ~~(b) — carry out the tender process described in clause 5.4.— [Blank]~~

5.2A Registration and Certification

5.2A.1. Where a Market Participant enters into a Network Control Service Contract for a Facility, the Market Participant must ensure that the Facility is registered as a Registered Facility during the period for which Network Control Services are to be provided under the Network Control Service Contract.

5.2A.2 Where a Market Participant enters into a Network Control Service Contract for a Facility then the Market Participant must apply to the IMO for Certified Reserve Capacity in respect of the Facility, in respect of each Reserve Capacity Cycle that the Facility would be eligible to participate in over the period for which Network Control Services will be provided under the relevant Network Control Service Contract.

5.3. Network Control Service Certification [Blank]

~~5.3.1. A person must be registered as a Market Participant before applying for a Facility to be certified under clause 5.3.2.— [Blank]~~

~~5.3.2. A Market Participant wishing to submit a Network Control Service tender under clause 5.4 must apply to the IMO for certification that the IMO considers that the Facility can provide the relevant Network Control Service and of the level of that service that the IMO considers the Facility can reliably provide (“**Network Control Service Certification**”). [Blank]~~

~~5.3.3. The Network Operator referred to in clause 5.2.1 does not need to apply to the IMO for certification.— [Blank]~~



- 5.3.4. ~~A Market Participant may apply for Network Control Service Certification in respect of a Facility that is not a Registered Facility. [Blank]~~
- 5.3.5. ~~The Market Participant applying for Network Control Service Certification must provide to the IMO the information specified for this purpose in the Network Control Service Procedure. [Blank]~~
- 5.3.6. ~~The IMO may certify a Facility for a level of Network Control Service. The IMO must only certify a Facility for a level that the IMO is satisfied that the Facility can reliably provide. [Blank]~~
- 5.3.7. ~~A Network Control Service Certification must contain:~~
- ~~(a) the Network Control Service tender for which the Network Control Service Certification was issued;~~
 - ~~(b) the Facility to which the Network Control Service Certification pertains;~~
 - ~~(c) the quantity of Network Control Service that may be reliably provided by the Facility, including any additional conditions or performance information; and~~
 - ~~(d) the notice period for calling upon the Network Control Service. [Blank]~~
- 5.3.8. ~~Network Control Service Certifications expire after the IMO announces the results of the Network Control Service tender to which they relate. [Blank]~~
- 5.3.9. ~~The IMO must document the procedure it follows in processing applications for Network Control Service Certification in the Network Control Service Procedure, and the IMO, Market Participants and Network Operators must follow that documented Market Procedure when processing Network Control Service Certification applications. [Blank]~~

5.3A Information required from the Network Operator

- 5.3A.1. When a Network Operator has entered into a Network Control Service Contract with a Market Participant, the Network Operator must as soon as practicable and not less than 20 Business Days prior to a Network Control Service Contract taking effect, provide the IMO with:
- (a) the identity of the Market Participant;
 - (b) the identity of the Facility providing the service;
 - (c) a unique identifier for the Network Control Service Contract;
 - (d) the period over which the services are to be provided by the Network Control Service Contract; and
 - (e) whether the Network Control Service Contract requires that the Facility not be part of an aggregated Facility.



- 5.3A.2 When any change occurs to the details of a Network Control Service Contract listed in clause 5.3A.1 the Network Operator must inform the IMO as soon as practicable.
- 5.3A.3. When a Network Operator has entered into a Network Control Service Contract with a Market Participant, the Network Operator must provide System Management with the details of the Network Control Services Contract to enable System Management to dispatch the services provided under it.
- 5.3A.4 When any change occurs to the details of a Network Control Service Contract provided to System Management under clause 5.3A.3 the Network Operator must inform System Management as soon as practicable.

5.4. ~~Network Control Service tenders [Blank]~~

- 5.4.1. ~~Where it is required to carry out a tender process for Network Control Service, the IMO must publish details of the tender process and timelines, including:~~
- ~~(a) the date by which Network Control Service Certification must be obtained for a tender to be submitted;~~
 - ~~(b) the date on which the invitation to tender will be published;~~
 - ~~(c) the last date on which the tenders may be submitted; and~~
 - ~~(d) the date on which the IMO will announce the results of the tender process.~~
- ~~[Blank]~~
- 5.4.2. ~~By the date specified in clause 5.4.1(a), Market Participants wishing to submit a tender must have secured Network Control Service Certification for the relevant Facility in accordance with clause 5.3. [Blank]~~
- 5.4.3. ~~By the date specified in clause 5.4.1(b), the IMO must issue an invitation to tender for the acquisition of the relevant Network Control Service. [Blank]~~
- 5.4.4. ~~An invitation to tender for the acquisition of a Network Control Service must contain:~~
- ~~(a) the quantity of the Network Control Service to be acquired under the invitation to tender including location and timing of the requirements, and any other limitations on the provision of the service, including minimum acceptable quantities;~~
 - ~~(b) the period over which the service is to be provided, determined in accordance with clause 5.2.2, including details of any extension options;~~
 - ~~(c) terms and conditions of the tender, including proposed terms and conditions for the Network Control Service Contracts to be entered into as a result of the tender process;~~



- ~~(d) — the required format and content of tender responses, including:~~
- ~~i. — the name and contact details of the tenderer;~~
 - ~~ii. — the Facility which will provide the Network Control Service;~~
 - ~~iii. — the quantity of the Network Control Service available from the Facility and any limitations on the time periods for which the Network Control Service will be available, including where applicable:
 - ~~1. — times of the day, of the week, or of the year for which the Facility will not be available to provide the Network Control Service, or will only be able to provide the service in reduced quantity or subject to other restrictions;~~
 - ~~2. — a maximum number of times which the Facility may be called upon to provide the Network Control Service in a time period;~~
 - ~~3. — the maximum duration of each occasion when the Facility may be called upon to provide the Network Control Service; and~~
 - ~~4. — a maximum cumulative duration for which the Facility may be called upon to provide the Network Control Service in a time period;~~~~
 - ~~iv. — availability of the Facility, including arrangements when Planned Outages are scheduled;~~
 - ~~v. — the notice period for calling on the Facility to provide the Network Control Service;~~
 - ~~vi. — whether the IMO must accept the entire quantity offered, or whether it can accept a part of the quantity offered;~~
 - ~~vii. — an offered Monthly Availability Payment amount in dollars; and~~
 - ~~viii. — an offered per MWh price to apply when the Facility is called upon to provide the Network Control Service; and~~
- ~~(e) — process details for submitting tenders. [Blank]~~

- 5.4.5. ~~A Market Participant or the Network Operator referred to in clause 5.2.1 may respond to the invitation to tender by submitting written tenders in the form, and by the date, specified in the invitation to tender. A Market Participant or the Network Operator referred to in clause 5.2.1 may offer for all or part of the Network Control Service requirements. [Blank]~~



- 5.4.6. ~~A Market Participant submitting a tender in response to an invitation to tender must not offer more capacity than is indicated by the relevant Network Control Service Certification. [Blank]~~
- 5.4.7. ~~A Market Participant submitting a tender in response to an invitation to tender must not offer a per MWh price to apply when the Facility is called upon to provide the Network Control Service that is greater than the Alternative Maximum STEM Price. [Blank]~~
- 5.4.8. ~~In determining the result of a tender process, and entering into Network Control Service Contracts, the IMO must seek to achieve the lowest total cost of the tenders selected, evaluating each tender on the basis of:~~
- ~~(a) — the offered Monthly Availability Payment amount contained in the tender;~~
 - ~~(b) — plus an amount equal to:~~
 - ~~i. — the offered per MWh price to apply when the Facility is called upon to provide the Network Control Service contained in the tender;~~
 - ~~ii. — multiplied by the estimated number of hours per year that the services would be required specified in accordance with clause 5.2.1(a)(ii) divided by 12. [Blank]~~
- 5.4.9. ~~The IMO is not under any obligation to accept any tender, or enter into a Network Control Service Contract in respect of any tender, made in response to an invitation to tender under this clause 5.4. However, where the IMO accepts a tender, it must accept it in relation to the entire quantity offered unless the relevant Market Participant or Network Operator indicated that the IMO may accept a part of the quantity offered. [Blank]~~
- 5.4.10. ~~The IMO must notify each Market Participant and Network Operator that submitted a tender as to whether it has been successful by the date specified in accordance with clause 5.4.1(d). [Blank]~~
- 5.4.11. ~~Where a selected tender response is not from the Network Operator referred to in clause 5.2.1, then the IMO and the selected Market Participant must execute a Network Control Service Contract. [Blank]~~
- 5.4.12. ~~Where a selected tender response is not from the Network Operator referred to in clause 5.2.1, then the selected Market Participant must apply to the IMO for Certified Reserve Capacity in respect of each of the Facilities set out in the selected tender response, in respect of each Reserve Capacity Cycle that each Facility would be eligible to participate in over the period for which Network Control Services will be provided under the relevant Network Control Service Contract. [Blank]~~

- 5.4.13. ~~Where a Market Participant executes a Network Control Service Contract pertaining to a Facility, the Market Participant must ensure that the Facility is registered as a Registered Facility during the period for which Network Control Services are to be provided under the Network Control Service Contract. [Blank]~~
- 5.4.14. ~~The IMO must document the procedure it follows in carrying out Network Control Service tender processes in the Network Control Service Procedure, and:~~
- ~~(a) the IMO must follow that documented Market Procedure when carrying out tender processes under this clause 5.4; and~~
 - ~~(b) Market Participants and Network Operators must follow that documented Market Procedure when participating in a tender process under this clause 5.4. [Blank]~~

~~Network Control Service Contracts~~[Blank]

~~5.5. Contract Conditions~~[Blank]

- 5.5.1. ~~Prior to the first tender process under clause 5.4, the IMO must develop a standard form Network Control Service Contract which accords with the requirements of this clause 5.5. [Blank]~~
- 5.5.2. ~~The IMO must consult with System Management when developing or amending the standard contractual terms. [Blank]~~
- 5.5.3. ~~A standard form Network Control Service Contract must contain the following:~~
- ~~(a) the Network Control Service being provided;~~
 - ~~(b) the duration of the contract, in accordance with clause 5.2.2, and specifying any extension options;~~
 - ~~(c) the procedures for the IMO, via System Management, to call on the Facility to provide the service, including:~~
 - ~~i. operational arrangements under which the IMO will allow System Management to call on the relevant Facility to provide the service;~~
 - ~~ii. the quantities of the service that will be provided, including where applicable, any limitations on the time periods for which the relevant Facility can be called on to provide the service, including:~~
 - ~~1. times of the day, or of the week, or of the year at which the relevant Facility cannot be called on to provide the service, or can only be called on to provide the service in reduced quantity or with other restrictions;~~

- ~~2. a maximum number of times which the relevant Facility can be called on to provide the service, in a week, or in a year, as applicable;~~
- ~~3. the maximum duration of each occasion when the relevant Facility can be called on to provide the service; and~~
- ~~4. a maximum cumulative duration for which the relevant Facility can be called on to provide the Network Control Service in a day, or in a week, or in a year, as applicable.~~
- ~~iii. availability of the service, including arrangements when Planned Outages of the Facility are scheduled; and~~
- ~~iv. the notice period for calling on the relevant Facility to provide the service.~~
- ~~(d) the Facility that will provide the service, and a requirement that the Facility is registered as a Registered Facility during the period for which Network Control Service are to be provided;~~
- ~~(e) any conditions required to ensure that if the relevant Facility is transferred or disposed of, the transferee will be bound by the contract obligations (for example, by requiring the execution of a deed of assumption or novation);~~
- ~~(f) the technical standards which the relevant Facility must comply with;~~
- ~~(g) the Monthly Availability Payment and monthly payment terms, which must be in accordance with clause 5.8;~~
- ~~(h) the per MWh price to apply when the Facility is called upon to provide the service;~~
- ~~(i) measurement of the quantity of service provided;~~
- ~~(j) compliance standards, testing procedures and liquidated damages for the Market Participant, which must be in accordance with clause 5.6;~~
- ~~(k) procedures for the Market Participant to inform the IMO and System Management when the capability of any of the relevant Facilities to provide the service changes materially;~~
- ~~(l) contract modification procedures;~~
- ~~(m) provisions dealing with contract suspension, default, termination, force majeure conditions, and assignment; and~~
- ~~(n) such other terms and conditions as the IMO considers appropriate. [Blank]~~

5.5.4. ~~Despite the existence of the standard form Network Control Service Contract, the IMO may enter into a Network Control Service Contract that varies from the standard form Network Control Service Contract. The IMO must consult with~~



~~System Management before entering into a Network Control Service Contract that varies substantially from the terms of the standard form. [Blank]~~

5.6. Network Control Service Contract Compliance Conditions[Blank]

5.6.1. ~~Testing processes, compliance processes and non-compliance liquidated damages are to be defined within each Network Control Service Contract. [Blank]~~

5.6.2. ~~If the Market Participant fails to provide a Network Control Service in the quantity and at the time and location requested by the IMO or System Management in accordance with the contract, the IMO and the Market Participant must follow the procedure in the Network Control Service Contract. [Blank]~~

5.6.3. ~~A Network Control Service Contract must contain a procedure to be used following the failure of a Market Participant to provide a Network Control Service in the quantity and at the time and location requested by the IMO or System Management in accordance with the contract, and this procedure must include:~~

~~(a) — a requirement that the IMO must issue to the Market Participant a request for:~~

~~i. — a written explanation; and~~

~~ii. — a written plan to remedy the failure;~~

~~(b) — a requirement that the Market Participant must respond to the request within five Business Days of receiving the request; and~~

~~(c) — if the IMO finds the explanation or the plan to remedy the failure to be unsatisfactory, then it may, in accordance with the Network Control Service Contract:~~

~~i. — require a test of the Registered Facility's ability to provide the Network Control Service in accordance with the contract terms. The Market Participant must bear its own costs associated with the tests; and~~

~~ii. — withhold or reduce the Market Participant's payments for the Network Control Service for a period. [Blank]~~

5.7. Network Control Service Dispatch

5.7.1. ~~The IMO must provide System Management with the details of the Network Control Services Contract to enable System Management to dispatch the services provided under it. Despite this, the Network Operator must not provide System Management with the payment terms of the contract, which must be kept confidential. [Blank]~~



- 5.7.2. System Management may call upon the relevant Facility to provide services under a Network Control Services Contract in accordance with the terms of the contract, as advised to it by the Network Operator in accordance with clause 5.3A.3 and amended in accordance with clause 5.3A.4.

Payments and Settlement Data

5.8. Network Control Service Contracts Payments [Blank]

- 5.8.1. The monthly Network Control Service Contract payment to a Market Participant that has a Network Control Service Contract with the IMO in respect of a Facility is to be the greater of zero and:
- (a) — the Monthly Availability Payment determined in accordance with the contract; less
 - (b) — the value of Capacity Credits held by the Market Participant for that Facility, where this value is the sum of the total value of all of those Capacity Credits, where each Capacity Credit is valued at the applicable Monthly Reserve Capacity Price even if those Capacity Credits are traded bilaterally; less
 - (c) — the value of any liquidated damages payable under the contract in respect of a failure of the Market Participant to meet its obligations under the Network Control Service Contract. [Blank]
- 5.8.2. The IMO must pay the Market Participant the monthly Network Control Service Contract payment in accordance with Chapter 9. [Blank]
- 5.8.3. The Network Operator referred to in clause 5.2.1 must pay the IMO the monthly Network Control Service Contract payment in accordance with Chapter 9. [Blank]
- 5.8.4. After receiving the notification described in clause 5.2.1 but before commencing Network Control Services procurement, the IMO may estimate the costs described in clause 5.8.5(a), and invoice the Network Operator referred to in clause 5.2.1 for the estimated amount. [Blank]
- 5.8.5. The IMO must determine the dollar amount that is:
- (a) — the costs it has incurred in:
 - i. — the expression of interest process described in clause 5.2;
 - ii. — the certification process described in clause 5.3;
 - iii. — the tender process described in clause 5.4,in respect of any tender process for Network Control Services



~~(b) less the amount received under any relevant invoice issued under clause 5.8.4. [Blank]~~

5.8.6. ~~Where the dollar amount determined in clause 5.8.4 is a positive amount, the IMO must issue an invoice to the Network Operator referred to in clause 5.2.1, and subject to clause 5.8.8, the Network Operator must pay the IMO the invoiced amount. [Blank]~~

5.8.7. ~~Where the dollar amount determined in clause 5.8.4 is a negative amount, the IMO must issue an invoice the Network Operator referred to in clause 5.2.1, and subject to clause 5.8.8, the IMO must pay the Network Operator the determined amount. [Blank]~~

5.8.8. ~~Where the Network Operator disputes the amount on an invoice issued under clauses 5.8.4, 5.8.6 or 5.8.7, the dispute resolution process set out in clauses 2.18 to 2.20 apply. [Blank]~~

5.9. Settlement Data

5.9.1. The IMO must provide the following information to the settlement system:

- (a) ~~for each month's Network Control Service Contract Payment:~~
 - i. ~~the amount of the payment set out in accordance with clause 5.8.1;~~
 - ii. ~~the Market Participant to which the payment will be made; and~~
 - iii. ~~the Network Operator by which the payment will be made. [Blank]~~
- (b) for each Network Control Service Contract energy payment:
 - i. ~~the prices set out in the Network Control Service Contract in accordance with clause 5.5.3(h); and [Blank]~~
 - ii. the Market Participant to which the payment will be made.

5.9.2. The IMO must provide Network Operators with details of any quantities dispatched under their Network Control Service Contracts in a Trading Month by 5:00 PM on the Invoicing Date for Non-STEM Settlement Statements for that Trading Month.

5.9.3 The information provided by the IMO to a Network Operator under clause 5.9.2 must include, for each relevant Facility and Trading Interval:

- (a) the unique identifier of the Network Control Service Contract under which the Dispatch Instruction was issued;
- (b) the MWh quantity by which the Facility was instructed by System Management to increase its output as specified by System Management in accordance with clause 7.13.1(dB) (Loss Factor adjusted to the Reference

Node) or reduce its consumption as specified by System Management in accordance with clause 7.13.1(dB);

- (c) the per MWh price paid by the IMO for the quantity dispatched under the Network Control Service Contract; and
- (d) the total amount paid by the IMO to the Market Participant for the quantity dispatched under the Network Control Service Contract.

6.17.6. The Dispatch Instruction Payment, DIP(p,d,t), for Market Participant p and Trading Interval t of Trading Day d equals the sum of:

- (a) zero, if Market Participant p:
- ...
- (d) the sum over all Curtailable Loads registered by the Market Participant of the amount that is the product of:
 - i. the quantity by which the Curtailable Load was instructed by System Management to reduce its consumption, excluding any instructions given under a Network Control Service Contract; and
 - ii. the price defined in clause 6.11A.1(d)(ii) that was current at the time of the Trading Interval for the Curtailable Load (accounting for whether the Trading Interval is a Peak Trading Interval or an Off-Peak Trading Interval)-; and
- (e) if the participant is given an instruction under a Network Control Service Contract then the sum over all Network Control Service Contract fFacilities registered by the Market Participant of the amount that is the product of:
 - i. the quantity by which the fFacility was instructed by System Management to increase its output as specified by System Management in accordance with clause 7.13.1(dB) (where for the purpose of this calculation a Loss Factor adjustment is to be applied to the quantity specified by System Management so that the result is measured at the Reference Node) or reduce its consumption as specified by System Management in accordance with clause 7.13.1(dB); and
 - ii. the price defined as: ~~as applicable under the relevant Network Control Service Contract for the facility as specified in clause 5.9.1(b).~~
 - 1. MCAP for Trading Interval t, if the Facility was instructed to increase its output; or
 - 2. zero, if the Facility was instructed to reduce its consumption.



7.1.1. System Management must maintain the following data set, and must use this data set when determining which Dispatch Instructions it will give:

...

- (m) Network Control Service Contract data, if any, received from ~~the IMO~~ a Network Operator in accordance with clauses ~~5.7.1~~ 5.3A.3 and 5.3A.4.

7.6.6. System Management may issue Dispatch Instructions to Market Participants other than the Electricity Generation Corporation:

- (a) in accordance with any Ancillary Service Contract;
- (b) in accordance with any Balancing Support Contract;
- (c) in accordance with the details of any Network Control Service Contract, as advised to System Management by a Network Operator in accordance with clause 5.3A.3 or updated by a Network Operator in accordance with clause 5.2A.4;
- (d) in connection with any test of equipment allowed under these Market Rules; or
- (e) under clause 7.6.3 or clause 7.6.4.

9.12. ~~Network Control Service Calculations for a Trading Month~~ [Blank]

9.12.1. ~~The Market Participant Network Control Service settlement amount for Market Participant p for Trading Month m is:~~

$$\text{MPNCSA}(p,m) = \text{Sum}(f \in F, n \in N, \text{Network Control Service Contract Payment}(p,m,f,n))$$

Where

~~Network Control Service Contract Payment (p,m,f,n) is the net payment to be made by the IMO under a Network Control Service Contract to Market Participant p, for Trading Month m for Registered Facility f as specified by the IMO under clause 5.9.1 which relates to Network Operator n;~~

~~F is the set of all Market Participant p's Registered Facilities, where "f" refers to a member of that set; and~~

~~N is the set of all Network Operators, where "n" refers to a member of that set. [Blank]~~

9.12.2. ~~The Network Operator Network Control Service settlement amount for Network Operator n for Trading Month m is:~~

$$\text{NONCSA}(n,m) = \text{Sum}(p \in P, f \in F, \text{Network Control Service Contract Payment}(p,m,f,n))$$



Where

~~Network Control Service Contract Payment(p,m,f,n) is the net payment to be made by the IMO under a Network Control Service Contract to Market Participant p, for Trading Month m for Registered Facility f which relates to Network Operator n as specified by the IMO under clause 5.9.1;~~

~~P is the set of all Market Participants, where “p” refers to a member of that set; and~~

~~F is the set of all Market Participant p’s Registered Facilities, where “f” refers to a member of that set.~~ [Blank]

- 9.14.1. The Net Monthly Non-STEM Settlement amount for the IMO to Market Participant p for Trading Month m is:

$$\text{NMNSSA}(p,m) = \text{RCSA}(p,m) + \text{Sum}(d, \text{BSA}(p,d,t)) + \text{ASSA}(p,m) + \text{COCSA}(p,m) + \text{RSA}(p,m) + \text{MPNCSA}(p,m) + \text{MPFSA}(p,m)$$

- 9.14.2. ~~The Net Monthly Network Operator Settlement Amount for the IMO to Network Operator n for Trading Month m~~

$$\text{NMNOSA}(n,m) = (-1) \times \text{NONCSA}(n,m)$$

~~Where NONSCA is defined in clause 9.12.2.~~ [Blank]

- 9.18.3. A Non-STEM Settlement Statement must contain the following information:

...

- ix. details of amounts calculated for the Market Participant under clauses 9.7 to 9.14 with respect to:
1. Reserve Capacity settlement;
 2. Balancing settlement;
 3. Ancillary Services settlement
 4. Commitment and Outage Compensation settlement
 - 4A. Non-Compliance Cost settlement;
 5. Reconciliation settlement;
 6. ~~Network Control Service settlement; and~~ [Blank]
 7. Fee settlement; and
 8. Net Monthly Non-STEM Settlement Amount;

- 9.24.3. Notwithstanding anything else in these Market Rules, if at any time the total amount received by the IMO from Rule Participants in cleared funds (“**Total**



Amount) is not sufficient to make the payments which the IMO is required to make under these Market Rules (for example, as a result of default by one or more Rule Participants), then the IMO's liability to make those payments is limited to the Total Amount. The IMO must apply the Total Amount as follows:

- (a) first, the IMO must apply the Total Amount to satisfy:
 - i. payment of Revenue Requirement Settlement Amounts to the IMO, System Management and the Economic Regulation Authority (including as contemplated by clause 9.22.10);
 - ii. payments which the IMO is required to make under Supplementary Capacity Contracts or to a provider of Ancillary Services holding an Ancillary Service Contract with System Management; and
 - iii. ~~payments which the IMO is required to make under Network Control Service Contracts; and [Blank]~~
 - iv. funds required to be disgorged or repaid by the IMO as contemplated by clause 9.24.2; and

...

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:

...

(vC) reports providing the MWh quantities of energy dispatched under Balancing Support Contracts by Facility and Trading Interval, as specified by System Management in accordance with clause 7.13.1(dA), for each Trading Month which has been settled;

(vD) reports providing the MWh quantities of energy dispatched under Network Control Service Contracts by Facility and Trading Interval, as specified by System Management in accordance with clause 7.13.1(dB), for each Trading Month which has been settled;

...

Credit Limit: In respect of a Market Participant, the amount determined by the IMO in accordance with clause 2.37.4. ~~In respect of a Network Operator, the amount determined by the IMO in accordance with clause 2.37.6.~~

Monthly Availability Payment: ~~The maximum monthly payment by a Network Operator to a Market Participant providing capacity under a Network Control Service Contract.~~

Network Control Service Certification: ~~Has the meaning given in clause 5.3.2.~~



Network Control Service Contract: A contract between ~~the IMO~~ a Network Operator and a Market Participant, ~~entered into pursuant to chapter 5,~~ to provide a Network Control Service.

Prudential Obligations: In respect of a Market Participant ~~or Network Operator~~, the obligations set out in clauses 2.37 to 2.43.

Appendix 1: Standing Data

This Appendix describes the Standing Data to be maintained by the IMO for use by the IMO in market processes and by System Management in dispatch processes.

Standing Data required to be provided as a pre-condition for Facility Registration, and which is to be updated by Rule Participants as necessary, is described by clauses (a) to (j).

Standing Data not required to be provided as a pre-condition for Facility Registration but that which is required to be maintained by the IMO includes the data described in clauses (k) onwards.

...

- (k) For each Registered Facility:
 - ...
 - ii. Network Control Service information including:
 - 1. the identity of any Network Operator that has entered into a Network Control Service Contract in relation to the Facility~~limits on the availability of a facility;~~
 - 2. the unique identifier for any Network Control Service Contract applicable to the Facility provided by a Network Operator in accordance with clause 5.3A.1(c)~~the Monthly Availability Payment for the facility; and~~
 - 3. whether the Facility is subject to a Network Control Service Contract that requires the Facility not to part of an aggregated Facility~~the identity of the Network Operator required to fund the Monthly Availability Payment; and~~
 - iii. the Facility Dispatch Tolerance;

4. Describe how the proposed Market Rule change would allow the Market Rules to better address the Wholesale Market Objectives:

- (a) *to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system.*



The IMO considers that the proposed amendments will promote the economically efficient production and supply of electricity in the SWIS. The proposed amendments allow a Network Operator to more effectively manage its own risk in contracting for NCSs. The amendments also remove the potential energy payment cross subsidy from Market Participants to the SWIS users benefitting from an NCS.

Additionally, the IMO considers that the amendments may be more efficient in facilitating the procurement of NCSs (where required), which will assist in ensuring the reliable supply of electricity.

5. Provide any identifiable costs and benefits of the change:

Costs:

There may be some costs associated with:

- removing the settlement calculations from the Settlement Systems operated by the IMO; and
- amending the relevant MPI elements from the IT Systems.

Benefits: Allowing a Network Operator to manage its own risks regarding contracting for an NCS, and removal of a potential cross subsidy relating to energy payments for NCSs.



Appendix 1: Clean version of Chapter 5

5 Network Control Services

Network Control Service Process

5.1. Definitions

5.1.1. A Network Control Service is a service provided by distributed generation or demand side management that can be a substitute for transmission or distribution network upgrades.

5.1.2. A Network Control Service Contract is a contract between a Network Operator and a Market Participant for the Market Participant to provide a Network Control Service.

5.2 [Blank]

5.2A Registration and Certification

5.2A.1. Where a Market Participant enters into a Network Control Service Contract for a Facility, the Market Participant must ensure that the Facility is registered as a Registered Facility during the period for which Network Control Services are to be provided under the Network Control Service Contract.

5.2A.2. Where a Market Participant enters into a Network Control Service Contract for a Facility then the Market Participant must apply to the IMO for Certified Reserve Capacity in respect of the Facility, in respect of each Reserve Capacity Cycle that the Facility would be eligible to participate in over the period for which Network Control Services will be provided under the relevant Network Control Service Contract.

5.3 [Blank]

5.3A Information required from the Network Operator

5.3A.1. When a Network Operator has entered into a Network Control Service Contract with a Market Participant, the Network Operator must as soon as practicable and not less than 20 Business Days prior to a Network Control Service Contract taking effect, provide the IMO with:

- (a) the identity of the Market Participant;
- (b) the identity of the Facility providing the service;
- (c) a unique identifier for the Network Control Service Contract;
- (d) the period over which the services are to be provided by the Network Control Service Contract; and



- (e) whether the Network Control Service Contract requires that the Facility not be part of an aggregated Facility.
- 5.3A.2 When any change occurs to the details of a Network Control Service Contract listed in clause 5.3A.1 the Network Operator must inform the IMO as soon as practicable.
- 5.3A.3. When a Network Operator has entered into a Network Control Service Contract with a Market Participant, the Network Operator must provide System Management with the details of the Network Control Services Contract to enable System Management to dispatch the services provided under it.
- 5.3A.4 When any change occurs to the details of a Network Control Service Contract provided to System Management under clause 5.3A.3 the Network Operator must inform System Management as soon as practicable.
- 5.4 [Blank]**
- 5.5 [Blank]**
- 5.6 [Blank]**
- 5.7. Network Control Service Dispatch**
- 5.7.1 [Blank]
- 5.7.2. System Management may call upon the relevant Facility to provide services under a Network Control Services Contract in accordance with the terms of the contract, as advised to it by the Network Operator in accordance with clause 5.3A.3 and amended in accordance with clause 5.3A.4.

Settlement Data

- 5.8 [Blank]**
- 5.9. Settlement Data**
- 5.9.1. The IMO must provide the following information to the settlement system:
 - (a) [Blank]
 - (b) for each Network Control Service Contract energy payment:
 - i. [Blank]
 - ii. the Market Participant to which the payment will be made.



- 5.9.2. The IMO must provide Network Operators with details of any quantities dispatched under their Network Control Service Contracts in a Trading Month by 5:00 PM on the Invoicing Date for Non-STEM Settlement Statements for that Trading Month.
- 5.9.3 The information provided by the IMO to a Network Operator under clause 5.9.2 must include, for each relevant Facility and Trading Interval:
- (a) the unique identifier of the Network Control Service Contract under which the Dispatch Instruction was issued;
 - (b) the MWh quantity by which the Facility was instructed by System Management to increase its output as specified by System Management in accordance with clause 7.13.1(dB) (Loss Factor adjusted to the Reference Node) or reduce its consumption as specified by System Management in accordance with clause 7.13.1(dB);
 - (c) the per MWh price paid by the IMO for the quantity dispatched under the Network Control Service Contract; and
 - (d) the total amount paid by the IMO to the Market Participant for the quantity dispatched under the Network Control Service Contract.