



Independent Market Operator

**Final Rule Change Report:
Excluding Providing Price
Related Standing Data to
System Management**

Ref: RC_2010_21

Date: 11 March 2011

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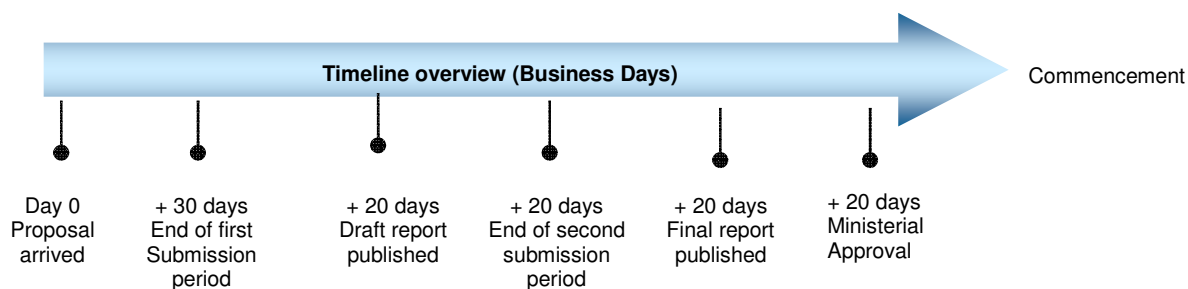
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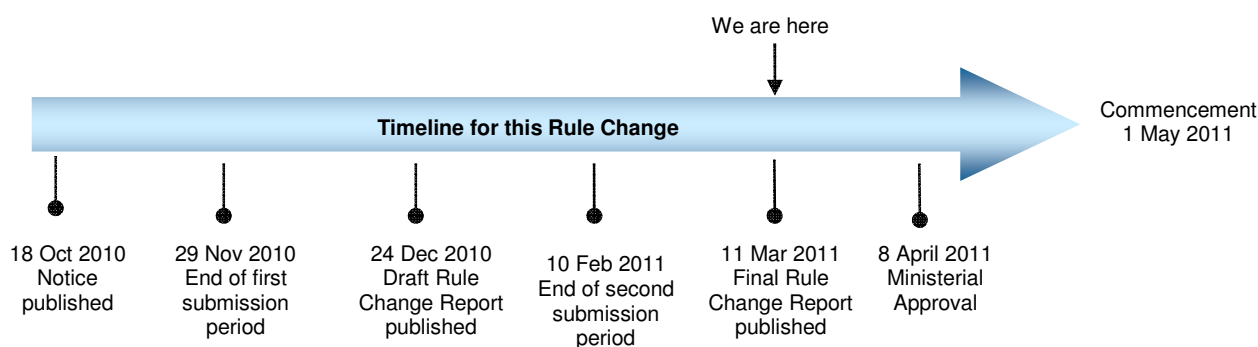
1. INTRODUCTION

On 15 October 2010 the IMO submitted a Rule Change Proposal regarding amendments to clause 2.34.1 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:



The key dates in processing this Rule Change Proposal 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: www.imowa.com.au/RC_2010_21.

2. THE RULE CHANGE PROPOSAL

2.1 Submission Details

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Date submitted:	15 October 2010
Urgency:	Standard Rule Change Process
Change Proposal title:	Excluding Providing Price Related Standing Data to System Management
Market Rules affected:	2.34.1

2.2 Summary Details of the Proposal

Standing Data is the data required to be maintained by the IMO for use by:

- The IMO in market processes; and
- System Management in dispatch processes.

Standing Data includes all the data (including pricing information) described in Appendix 1 of the Market Rules which, under clause 2.34.1(b) of the Market Rules, is to be provided to System Management.

The IMO proposed to amend the Market Rules to ensure that price related Standing Data is not provided to System Management.

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

2.3 The Proposal and the Wholesale Market Objectives

The IMO considered that the proposed changes, which will improve the integrity of the Market Rules, are consistent with the Wholesale Market Objectives.

2.4 The Amending Rules Proposed by the IMO

The amendments to the Market Rules proposed by the IMO are presented in Appendix 2 of this report.

2.5 The IMO's Initial Assessment of the Proposal

The IMO decided to proceed with the proposal on the basis that 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 and 29 November 2010.

3.1 Submissions received

The IMO received two submissions in the first submission period from Perth Energy and Synergy and two out-of-session submissions from Landfill Gas & Power (LGP) and System Management. The main points raised in the submissions are summarised below. A copy of the full text of all submissions is available on the IMO website.

In summary, LGP, Perth Energy and Synergy supported the proposed amendments. Specifically:

- LGP supported that System Management should not be provided Standing Data regarding pricing;
- Perth Energy agreed that it is not necessary for System Management to review or receive any Standing Data relating to pricing issues and that it supported strict controls on access to commercially sensitive information; and
- Synergy considered that the information related to price is highly confidential and, as it not required by System Management to carry out its duties, should not be provided.

Both Perth Energy and Synergy suggested that the proposal include explicit references to the sub-sections for Appendix 1 that should be excluded from being shared with System Management.

In its out-of-session submission, System Management requested that the IMO note the discussion held on this proposal during the 13 October Market Advisory Committee (MAC) meeting. A summary of this discussion is contained in section 7.4 of this paper.

The assessment by submitting parties of whether the proposal would better facilitate the Wholesale Market Objectives is summarised below:

Submitter	Wholesale Market Objective
Perth Energy	Betters (a)
LGP	Betters (a)
Synergy	Consistent

3.2 The IMO's response to submissions received during the First Submission Period

Both Perth Energy and Synergy suggested that the drafting include explicit references to the sub-sections of Appendix 1 that should be excluded from being shared with System Management. The IMO agreed with this suggestion and amended clause 2.34.12 of the proposal to reflect this.

3.3 Additional Amendments to the Amending Rules

Following the end of first public submission period the IMO, the IMO made additional changes to the proposed Amending Rules to reflect Perth Energy's and Synergy's suggestion of explicitly stating which clauses would not be released to System Management.

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

3.4 Public Forums and Workshops

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

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 proposed amendments, as modified following the first submission period, to clauses 2.34.1 and 2.34.12 of the Market Rules.

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

- are consistent with the Wholesale Market Objectives;
- have the general support of the MAC members; and
- have the general support 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 24 December 2010 and 10 February 2011.

6.1 Submissions received

The IMO received submissions from Synergy and System Management and one out-of-session submission from LGP. The full submissions are available on the IMO website.

In summary, all the submissions support the proposed amendments as presented in the Draft Rule Change Report. However, System Management proposed an amendment to clause 7.7.4A suggesting that the discriminating factors it can apply when selecting Curtailable Loads from the Dispatch Merit Order (DMO) be amended to replace "cost" with "DMO".

The IMO's response to this suggestion is contained in section 6.2 of this paper.

As with its submission from the first submission period, System Management requested that the IMO note the discussion held on this proposal during the 13 October Market Advisory Committee (MAC) meeting. A summary of this discussion is contained in section 7.4 of this paper.

6.2 The IMO's response to submissions received during the Second Submission Period

The IMO agrees with System Management's suggestion that clause 7.7.4A needs to be amended, however does not agree with replacing "cost" with "DMO". Instead the IMO considers that "cost" should just be removed from the list of discriminating factors System Management can take into account when selecting Curtailable Loads from the DMO.

The DMO currently provided to System Management reflects the consumption decrease price for a Curtailable Load during peak and off peak periods. The IMO considers that System Management’s suggestion is circular, in that it would in effect mean that they would select Curtailable Loads from the DMO discriminating based on the DMO.

The IMO considers that the DMO should be applied firstly and then the additional considerations from clause 7.7.4A (size of the capacity, response time and availability) should then be taken into account when selecting Curtailable Loads from the DMO.

6.3 Additional Amendments to the Amending Rules

Following the end of the second public submission period the IMO amended clause 7.7.4A to remove “cost” from the list of discriminating factors System Management can take into account when selecting Curtailable Loads from the DMO.

The additional amendment is 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	Yes

Wholesale Market Objective	Consistent with objective
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	Yes
(e) to encourage the taking of measures to manage the amount of electricity used and when it is used	Yes

7.2 Practicality and cost of implementation

Cost:

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

Practicality:

The IMO has not identified any issues with the practicality of implementing the proposed changes.

7.3 Views expressed in submissions

The IMO received two submissions and two out of session submissions during the first submission period that all generally supported the proposed amendments, albeit with a suggestion to be more specific about the information that will no longer be released to System Management.

During the second submission period IMO received two submissions and one out-of-session submission from LGP, all of which supported the Rule Change Proposal albeit with System Management suggesting an additional amendment to clause 7.7.4A of the Market Rules. The IMO's response to System Management's second submission is contained in section 6.2 of this report.

7.4 Views expressed by the Market Advisory Committee

This proposal was discussed at the 13 October 2010 MAC meeting. During the meeting some issues were raised regarding this Rule Change Proposal including the following:

- System Management noted that in light of recent discussions in the Rules Development Implementation Working Group (RDIWG) on Network Control Services, Ancillary Services and Balancing; it is no longer certain that price related information should not be provided to it. System Management does not currently use any pricing related information but its role may change in the future.
- System Management agreed for the proposal to progress, noting that if in the future it needs pricing information; further changes to the Market Rules would be needed.

The MAC agreed to progress the Rule Change Proposal, noting that it is dependent on the outcomes of the RDIWG, subsequent changes to provide System Management with this information may be required.

Further details are available in the MAC meeting minutes available on the IMO website: <http://www.imowa.com.au/market-advisory-committee>

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 Rule Change Proposal as modified in the Draft Rule Change Report.

8.1 *Reasons for the Decision*

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

- are consistent with the Wholesale Market Objectives;
- improve the integrity of the Market Rules;
- have the general support of submissions received; and
- impose no additional cost on the market.

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 May 2011**.

9.2 *Amending Rules*

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

2.34.1. The IMO must:

- (a) maintain a record of the Standing Data described in Appendix 1, including the date from which the data applies; and
- (b) provide the Standing Data, excluding any Standing Data described in the following clauses of Appendix 1, and any revisions of the that Standing Data, to System Management as soon as practicable:
 - i. clause (c);
 - ii. clause (e) v;
 - iii. clause (h) vi;
 - iv. clause (i) xA;
 - v. clause (k) i.7;
 - vi. clause (k) ii.2;
 - vii. clause (l) iii.4;
 - viii. clause (l) iii.5; and
 - ix. clause (m).

2.34.12 The IMO must consult with System Management before making a decision requiring a Rule Participant to provide updated Standing Data under clause 2.34.11, ~~other than Standing Data which concerns prices, excluding any Standing Data described in the following clauses of Appendix 1:~~

- i. clause (c);
- ii. clause (e) v;
- iii. clause (h) vi;
- iv. clause (i) xA;
- v. clause (k) i.7;
- vi. clause (k) ii.2;
- vii. clause (l) iii.4;
- viii. clause (l) iii.5; and
- ix. clause (m).

7.7.4A When selecting Curtailable Loads from the Dispatch Merit Order System Management must select them in accordance with the Power System Operations Procedure, where the selection process specified in the Power System Operations Procedure must only discriminate between Curtailable Loads based on size of the capacity, response time, and availability ~~and cost~~ of different Curtailable Loads.

APPENDIX 1: FULL DETAILS OF THE PROPOSAL

Background

Standing Data is the data required to be maintained by the IMO for use by:

- the IMO in market processes; and
- System Management in dispatch processes.

Standing Data includes all the data described in Appendix 1 of the Market Rules.

Clause 2.34.1(b) of the Market Rules currently requires the IMO to provide Standing Data to System Management. However, some of the information in Appendix 1 relates to prices (for example (c) v and vi, (h) vi and (i) xA).

A similar problem existed with clause 2.34.12 in that the IMO had an obligation to consult with System Management before making a decision to require a Market Participant to provide updated Standing Data. This provision applied to all standing data even that related to pricing.

In 2008 System Management submitted a Rule Change Proposal¹ to rectify this issue, noting that:

- *“System Management considers that it is inappropriate that the provision continue in its current broad form, and suggests it be constrained to only non-pricing related data”*; and
- *“The changes [from RC_2008_04] would delete an inappropriate provision, which is System Management being consulted about price related standing data”*.

Issue

In its Rule Change Proposal the IMO noted that the Market Rules currently require the IMO to provide Standing Data, including price related data, to System Management. The IMO considers that this is inappropriate and inconsistent with the changes arising from RC_2008_04.

Proposal

The IMO proposed to amend the Market Rules to ensure that price related Standing Data is not provided to System Management.

¹ Refer: www.imowa.com.au/RC_2008_04

APPENDIX 2: PROPOSED AMENDING RULES IN THE RULE CHANGE PROPOSAL

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

2.34.1. The IMO must:

- (a) maintain a record of the Standing Data described in Appendix 1, including the date from which the data applies; and
- (b) provide the Standing Data excluding any Standing Data that concerns prices, and any revisions of ~~the~~ that Standing Data, to System Management as soon as practicable.

APPENDIX 3: ADDITIONAL AMENDMENTS MADE BY THE IMO FOLLOWING THE FIRST SUBMISSION PERIOD

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

2.34.1. The IMO must:

- (a) maintain a record of the Standing Data described in Appendix 1, including the date from which the data applies; and
- (b) provide the Standing Data excluding any Standing Data ~~that concerns prices described in the following clauses of Appendix 1~~, and any revisions of that Standing Data, to System Management as soon as practicable:
 - i. clause (c);
 - ii. clause (e) v;
 - iii. clause (h) vi;
 - iv. clause (i) xA;
 - v. clause (k) i.7;
 - vi. clause (k) ii.2;
 - vii. clause (l) iii.4;
 - viii. clause (l) iii.5; and
 - ix. clause (m).

2.34.12 The IMO must consult with System Management before making a decision requiring a Rule Participant to provide updated Standing Data under clause 2.34.11, ~~other than Standing Data which concerns prices~~. excluding any Standing Data described in the following clauses of Appendix 1:

- i. clause (c);

- ii. clause (e) v;
- iii. clause (h) vi;
- iv. clause (i) xA;
- v. clause (k) i.7;
- vi. clause (k) ii.2;
- vii. clause (l) iii.4;
- viii. clause (l) iii.5; and
- ix. clause (m).

APPENDIX 4: ADDITIONAL AMENDMENTS MADE BY THE IMO FOLLOWING THE SECOND SUBMISSION PERIOD

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):

- 7.7.4A When selecting Curtailable Loads from the Dispatch Merit Order System Management must select them in accordance with the Power System Operations Procedure, where the selection process specified in the Power System Operations Procedure must only discriminate between Curtailable Loads based on size of the capacity, response time, and availability ~~and cost~~ of different Curtailable Loads.

