



INDEPENDENT
MARKET
OPERATOR

Final Rule Change Report

Title: Alignment of Settlement Tolerances and Tolerance Ranges

RC_2012_16

Fast Track Rule Change Process

Date 14 December 2012

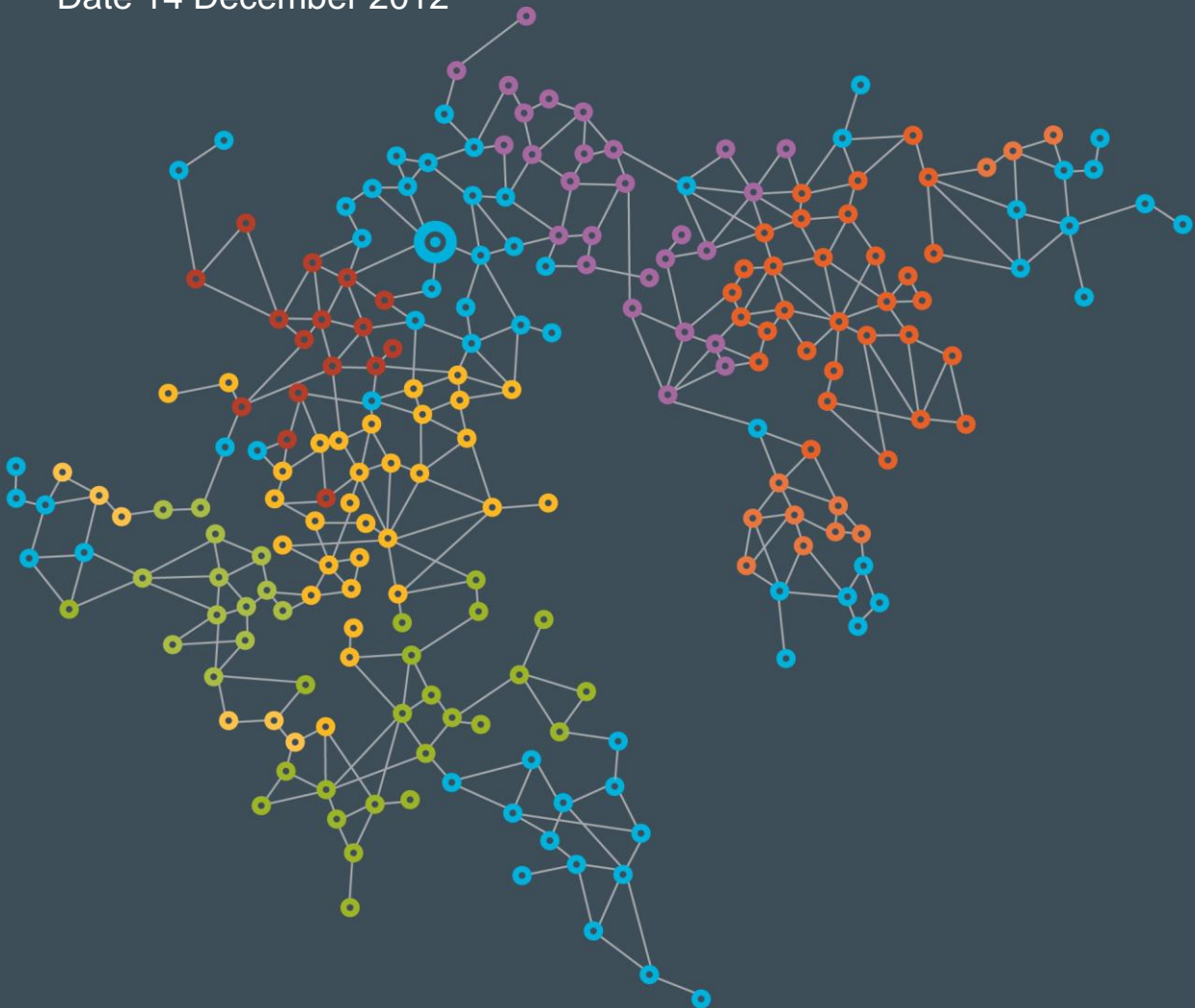


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Executive Summary

Proposed Amendments

This Rule Change Proposal seeks to amend a manifest error in the Market Rules where a Facility has the potential to receive Constrained On/Off Compensation as a result of not fully complying with its Dispatch Instructions. The IMO proposes to amend the Settlement Tolerance (clause 6.17.9) for a Scheduled Generator to be equal to the MWh equivalent of the Tolerance Range or Facility Tolerance Range (as applicable) associated with the relevant Facility.

Consultation

The IMO first raised the issue in its Concept Paper: Dispatch Tolerance Ranges (CP_2012_03), presented at the 12 September 2012 Market Advisory Committee (MAC) meeting.

A Pre Rule Change Proposal was discussed at the 14 November 2012 MAC meeting. MAC members agreed that the proposal sought to correct a manifest error and should be progressed using the Fast Track Rule Change Process.

The Rule Change Proposal was formally submitted on 16 November 2012 and the consultation period was held between 19 November 2012 and 7 December 2012. On 4 December 2012 the IMO published an addendum to the Rule Change Notice providing an estimate of the IMO's implementation costs for the proposal.

The IMO received submissions supporting the Rule Change Proposal from Alinta Energy, APA Group, Community Electricity, Perth Energy, Synergy and System Management. Alinta Energy and System Management raised a number of additional issues relating to Tolerance Ranges in their submissions. Verve Energy provided a submission which agreed in principle with the IMO's proposed solution but did not support the progression of the Rule Change Proposal, due to concerns that the current formulation of the Tolerance Range may lead to Market Participants not receiving Constrained On/Off Compensation to which they are entitled.

Assessment against Wholesale Market Objectives

The IMO considers that the proposed amendments will allow the Market Rules to better achieve Wholesale Market Objective (a) and are consistent with the remaining Wholesale Market Objectives.

Practicality and Cost of Implementation

The proposed amendments will require changes to the IMO's IT systems, at an estimated cost of approximately AUD \$47,000. This estimate includes the expected costs of any future automation of the relevant interface with System Management.

System Management will initially provide the required Tolerance Range details to the IMO via a manual interface, due to the urgency of the amendments and the current low volatility of the data. System Management has not identified any issues or additional costs with this preliminary arrangement. The IMO will work with System Management in early 2013 to assess the potential future volatility of Tolerance Range values and whether an automated interface and/or further amendments to the Market Rules are appropriate.

Alinta Energy identified the need to make minor changes to its business processes; however these are expected to fall within its normal operating expenditure. The remaining submitting parties did not identify any costs or practicality of implementation issues associated with the proposed amendments.

The IMO's Decision

The IMO's decision is to accept the Rule Change Proposal.

Next steps

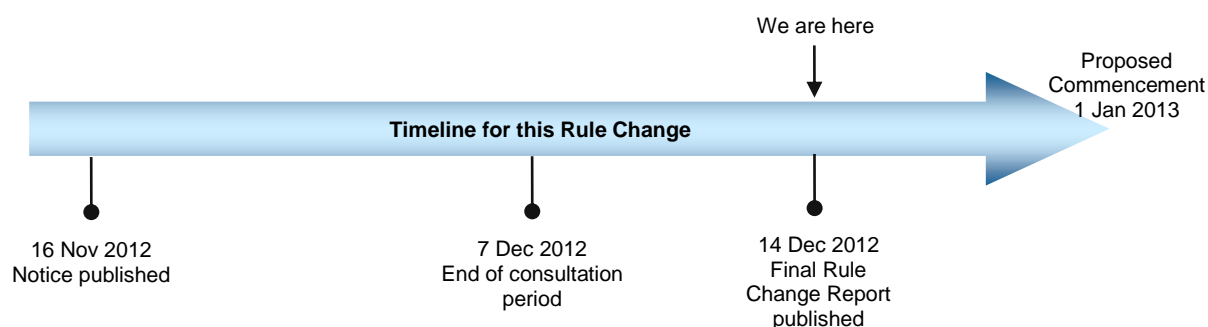
The Amending Rules will provisionally commence at **8.00 AM** on **1 January 2013**.

1. Rule Change Process and Timetable

On 16 November 2012 the IMO submitted a Rule Change Proposal regarding amendments to clause 6.17.9 and new clause 2.13.6L of the Wholesale Electricity Market Rules (Market Rules).

This proposal is being processed using the Fast Track Rule Change Process, described in section 2.6 of the Market Rules.

The key dates in processing this Rule Change Proposal are:



All documents related to this Rule Change Proposal can be found on the Market Web Site: http://www.imowa.com.au/RC_2012_16

2. Proposed Amendments

2.1. The Rule Change Proposal

Under the current Market Rules it is possible for a Scheduled Generator to generate away from the requested output amount (as notified via a Dispatch Instruction) by an amount (in MWh) which is greater than its Settlement Tolerance but less than the applicable Tolerance Range or Facility Tolerance Range. This allows for a Scheduled Generator to be:

- compliant with the Dispatch Instruction issued by System Management via the application of the criteria outlined in clause 7.10.2; and
- either:
 - receive Constrained On Compensation for the additional generation above the Settlement Tolerance; or
 - receive Constrained Off Compensation for the reduced generation levels below the Settlement Tolerance (potentially at the Minimum STEM Price of negative \$1000/MWh).

The IMO considers that this outcome is inconsistent with the design of Constrained On Compensation and Constrained Off Compensation as implemented under the Rule Change Proposal: Competitive Balancing and Load Following Market (RC_2011_10). To rectify this situation the IMO proposed to amend the Settlement Tolerance (clause 6.17.9) for a Scheduled Generator to be equal to the MWh equivalent of the Tolerance Range or Facility Tolerance Range (as applicable) associated with the relevant Facility.

For full details of the Rule Change Proposal please refer to the Market Web Site: http://www.imowa.com.au/RC_2012_16.

2.2. The IMO's Initial Assessment of the Proposal

The IMO decided to proceed with the proposal on the basis that interested parties should be given an opportunity to provide submissions as part of the rule change process.

The IMO decided to progress the Rule Change Proposal using the Fast Track Rule Change Process described in section 2.6 of the Market Rules, on the grounds that it satisfies the criterion in clause 2.5.9(b) of the Market Rules.

The IMO may subject a Rule Change Proposal to the Fast Track Rule Change Process if, in its opinion, the Rule Change Proposal:

- (a) is of a minor or procedural nature; or*
- (b) is required to correct a manifest error; or*
- (c) is urgently required and is essential for the safe, effective and reliable operation of the market or the SWIS.*

One of the underlying tenets of the Balancing Market design was that a Facility that failed to follow its Dispatch Instruction would not be eligible for Constrained On/Off Compensation. The rationale for creating Tolerance Ranges was to acknowledge that Scheduled Generators could not, in reality, ramp up or down in a perfect linear fashion and would therefore not be penalised for minor deviations from their Resource Plan. However, by relaxing the boundary for compliance with Dispatch Instructions and allowing Scheduled Generators minor deviations within Tolerance Ranges or Facility Tolerances Ranges an unintended consequence is that a Facility may receive Constrained On/Off Compensation as a result of not fully complying with its Dispatch Instructions.

The IMO considered that the generation of these payments constituted a manifest error in the Market Rules. As such, the IMO considered that the Rule Change Proposal satisfied the criterion in clause 2.5.9(b) and should therefore be progressed using the Fast Track Rule Change Process,

3. Consultation

3.1. The Market Advisory Committee

The Market Advisory Committee (MAC) discussed the proposed changes during its 12 September 2012 and 14 November 2012 meetings.

September 2012 MAC Meeting

Mr Ben Williams presented an overview of the IMO's Concept Paper: Dispatch Tolerance Ranges (CP_2012_03) to MAC members. Mr Williams noted that the IMO had identified Issue 1 (the issue eventually addressed by RC_2012_16) while working through Balancing Market outcomes since 1 July 2012.

The following points were raised during the MAC's discussion of this issue.

- Mr Geoff Gaston queried whether the IMO's proposed solution would fix the identified issue, noting that the Settlement system should account for System Management having dispatched the Facility so as to avoid this issue occurring frequently. The Chair agreed that the proposed solution would not entirely fix the issue.
- Mr Gaston noted that there was a large financial impact to Market Customers as a result of the identified issues and questioned whether any rule change could be retrospectively applied (i.e. from 1 July 2012), given the large wealth transfer that was occurring. The Chair confirmed that the IMO does not retrospectively apply rule changes. Mr Stephen MacLean noted that in his opinion the Market Rules do not specifically restrict the IMO from retrospectively applying rule changes, though noting that should the IMO decide to retrospectively apply any changes to the rules to fix this identified issue it would likely set a precedent for rule changes in the future.
- Mr Williams noted that previously the Rules Development Implementation Working Group (RDIWG) had discussed only paying the Balancing Price where a Facility is not issued an instruction to vary its output by System Management. Mr Williams also noted that the IMO was currently working with System Management to ensure that all Non-Scheduled Generators had a Tolerance Range to apply. *(Note: after further analysis the IMO concluded that Tolerance Ranges were not required for Non-Scheduled Generators.)*
- Mr MacLean questioned whether there was any appetite to completely remove the concept of Tolerance Ranges and Facility Tolerance Ranges. Mr Williams noted that this would require the removal of the concept of Constrained On/Off Compensation. Mr MacLean suggested that the Balancing Price could just be used where a Dispatch Instruction was issued. Mr Ben Tan noted that removal of the dispatch tolerances would likely result in large levels of non-compliance in the market.
- The Chair queried whether MAC members were comfortable with the IMO progressing its proposed amendments. Mr Gaston noted that the IMO needed to look at the options for only paying Constrained On/Off Compensation where a "flag" indicating that a Facility has been dispatched Out of Merit by System Management is present. Mr Williams noted that there was a potential problem with this approach in that System Management may not always be aware that it was dispatching a Facility Out of Merit.

November 2012 MAC Meeting

Ms Jenny Laidlaw presented an overview of the IMO's Pre Rule Change Proposal: Alignment of Settlement Tolerance Ranges and Tolerance Ranges (PRC_2012_16). An overview of the key points raised during the discussion by the MAC is given below.

- Mr Gaston queried whether System Management could provide a flag to the IMO to indicate whether a Balancing Facility had been dispatched Out of Merit. Ms Laidlaw responded that she was unsure whether System Management's current systems were sufficiently sophisticated to do this. Ms Laidlaw also noted that System Management may not be certain whether it is dispatching a Facility Out of Merit because the final Relevant Demand Quantity for the Trading Interval is unknown at the time the Dispatch Instruction is issued. Mr Gaston also queried whether Settlement Tolerances would be set equal to the Dispatch Tolerance or vice versa. Ms Laidlaw responded that the Settlement Tolerances will be set equal to the Dispatch Tolerances if this rule change was approved.

- The Chair noted that it was a perverse outcome if a Market Participant could receive significant Constrained On/Off Compensation by manipulating its offer prices without breaching the Market Rules relating to dispatch. The Chair also noted that at the time the Settlement Tolerances were set in RC_2011_10 the IMO did not know what the Dispatch Tolerances were because they were set subsequently by System Management. The Chair also noted that now that the IMO is aware that the Settlement and Dispatch Tolerances materially differ the IMO recommends that they should be aligned.
- Mr Tan queried which Facilities would fall under clause 6.17.9(b). Ms Laidlaw responded that Non-Scheduled Generators fall under the clause.
- Mr MacLean suggested a drafting improvement to clause 2.13.6L. The Chair responded that the IMO was happy to consider redrafting the clause. *(Note: Mr MacLean's suggestion involved starting clause 2.13.6L with "System Management must as prescribed in the IMS Interface Market Procedure..." The IMO reviewed the drafting of this clause and decided to retain the proposed wording as it is consistent with existing clauses in the Market Rules and provides greater clarity on what should be prescribed in the Market Procedure.)*
- Mr Phil Kelloway queried how often the tolerance values change. Ms Laidlaw responded that it depends on how System Management determines the tolerance ranges. Ms Laidlaw noted that System Management determines the tolerance range values by a formula which is annually reviewed. Ms Laidlaw noted that any changes in a Facility's relevant Standing Data values would change its Dispatch Tolerance. Ms Laidlaw also noted that it would be desirable if a clarification of the inputs to the formula could be published on the Market Web Site. Ms Laidlaw noted that the simpler System Management's processes were, the simpler the interface could be. The Chair queried whether the formula changes often. Mr Kelloway responded that it does not.

MAC members agreed for the IMO to progress PRC_2012_16 as a Fast Track Rule Change Proposal, subject to consideration of Mr MacLean's proposed amendment to clause 2.13.6L.

Further details are available in the MAC meeting minutes available on the Market Web Site: <http://www.imowa.com.au/MAC>.

3.2. Submissions received during the consultation period

The consultation period for this Rule Change Proposal was between 19 November 2012 and 7 December 2012. On 4 December 2012 the IMO published an addendum to the Rule Change Notice providing an estimate of the IMO's implementation costs for the proposal.

Alinta Energy and System Management requested to be consulted on this Rule Change Proposal and provided submissions to the IMO. Out of session submissions were received from APA Group, Community Electricity, Perth Energy, Synergy and Verve Energy.

Alinta Energy, APA Group, Community Electricity, Perth Energy, Synergy and System Management all supported the IMO's proposed solution. Alinta Energy however raised wider concerns around whether the current methodology for calculating Tolerance Ranges could adequately account for a Facility's ramping behaviour. Alinta Energy also recommended that the formula for determining the Tolerance Range be included into either the Market Rules or the relevant PSOP, to ensure that a robust consultation process will be undertaken when refinements are proposed. System Management noted that the future volatility of the Tolerance Ranges was

uncertain and made two suggestions for amendments to clause 2.13.6D.

Verve Energy agreed in principle with the IMO's proposed solution, but did not support the progression of the Rule Change Proposal. Verve Energy considered that the current Tolerance Range, which was originally developed as a reporting tolerance only, may not be appropriate for use as a "dispatch tolerance". Verve Energy expressed concern that, in the absence of any supporting analysis, the current formulation of the Tolerance Range may produce values that are too large and will lead to Market Participants not receiving Constrained On Compensation or Constrained Off Compensation to which they are entitled.

The assessment by submitting parties as to whether the proposal would better achieve the Wholesale Market Objectives is summarised below:

Submitter	Wholesale Market Objective Assessment
Alinta Energy	Better achieves Wholesale Market Objective (a) and is consistent with the remaining Wholesale Market Objectives.
APA Group	Better facilitates the Wholesale Market Objectives.
Community Electricity	Better achieves Wholesale Market Objectives (a) and (d).
Perth Energy	Better achieves Wholesale Market Objective (a) and does not have any detrimental impacts on the remaining Wholesale Market Objectives.
Synergy	Better achieves Wholesale Market Objective (a) and is consistent with the remaining Wholesale Market Objectives.
System Management	None provided.
Verve Energy	The intent of the Rule Change Proposal may be consistent with the Wholesale Market Objectives but the proposed amendments may be detrimental to Wholesale Market Objective (a).

A copy of all submissions in full received during the consultation period is available on the Market Web Site: http://www.imowa.com.au/RC_2012_16.

3.3. The IMO's response to submissions received during the consultation period

The IMO's responses to each of the issues identified in submissions during the consultation period are presented in Appendix 1 of this Final Rule Change Report.

3.4. Public Forums and Workshops

No public forum or workshop was held in regard to this Rule Change Proposal.

4. 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. A summary of the views expressed in submissions and by the MAC is available in section 3 of this Final Rule Change Report.

The IMO’s assessment of the Rule Change Proposal is outlined in the following sub-sections.

4.1. Wholesale Market Objectives

The IMO considers that the Market Rules as a whole, if amended as presented in section 6.2, will not only be consistent with the Wholesale Market Objectives but will also allow the Market Rules to better achieve Wholesale Market Objective (a).

The IMO’s assessment is presented below.

(a) to promote 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 correct a manifest error in the Market Rules. Further, the IMO considers that the proposed amendments will allow the Market Rules to better Wholesale Market Objective (a) by promoting economically efficient outcomes with regards to addressing the perverse situation evident where a Scheduled Generator deviates from its Dispatch Instructions sufficiently to receive substantial Constrained On/Off Compensation without breaching the dispatch rules. The IMO also considers that the proposed amendments will improve economic efficiency by ensuring that significant and unnecessary costs are not borne by the market.

The IMO considers that the proposed amendments are consistent with the remaining Wholesale Market Objectives.

4.2. Practicality and Cost of Implementation

4.2.1. Cost:

The proposed amendments will require changes to the IMO’s IT systems, at an estimated cost of approximately AUD \$47,000. This estimate includes the expected costs of any future automation of the relevant interface with System Management. Amendments to the IMS Interface Market Procedure will also be required. These amendments fall within the IMO’s normal operating budget.

System Management will initially provide the required Tolerance Range details to the IMO via a manual interface, due to the urgency of the amendments and the current low volatility of the data. System Management has not identified any additional costs for this preliminary arrangement. The IMO will work with System Management in early 2013 to assess the potential future volatility of Tolerance Range values and whether an automated interface and/or further amendments to the Market Rules are appropriate. Depending on the outcome of this review System Management may incur some additional IT costs for the development of an automated interface.

Alinta Energy identified the need to make minor changes to its business processes; however these are expected to fall within its normal operating expenditure. The remaining submitting parties did not identify any costs associated with the proposed amendments.

4.2.2. Practicality:

As mentioned above, the IMO will work with System Management to ensure that the interface required under new clause 2.13.6L is appropriate for the expected future volatility of the Tolerance Range values. The IMO has not identified any other potential issues with the practicality of implementing this Rule Change Proposal.

5. The IMO's Final Decision

Based on the matters set out in this report, the IMO's final decision is to accept the Rule Change Proposal.

5.1. Reasons for the IMO's Decision

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

- better achieve Wholesale Market Objective (a);
- are consistent with the remaining Wholesale Market Objectives;
- have the support of the MAC; and
- have the support of the majority of submissions received during the consultation period.

Additional detail outlining the analysis behind the IMO's decision is outlined in section 4 of this Final Rule Change Report.

6. Amending Rules

6.1. Commencement

The amendments to the Market Rules resulting from this Rule Change Proposal will provisionally commence at **8.00 AM** on **1 January 2013**.

6.2. Amending Rules

The IMO has decided to implement the following Amending Rules (~~deleted text~~, added text):

2.13.6L. System Management must, in the time, form and manner prescribed in the IMS Interface Market Procedure provide to the IMO, for each Scheduled Generator or Dispatchable

Load for which an applicable Tolerance Range or Facility Tolerance Range has been determined, the absolute value of the maximum MW boundary of the applicable Tolerance Range or Facility Tolerance Range.

6.17.9. The IMO must other than for Facilities in the Verve Energy Balancing Portfolio, determine a Settlement Tolerance for each Scheduled Generator, Non-Scheduled Generator and Dispatchable Load, where this Settlement Tolerance is equal to:

(a) for a Scheduled Generator or Dispatchable Load for which an applicable Tolerance Range or Facility Tolerance Range has been determined by System Management, the applicable value provided by System Management to the IMO for the Facility under clause 2.13.6L, divided by two to be expressed as MWh; or

(b) for Facilities for which no applicable Tolerance Range or Facility Tolerance Range has been determined by System Management, the lesser of:

~~(a)~~i. 3 MWh; and

~~(b)~~ii. the greater of:

i1. 0.5 MWh; and

ii2. 3% of the Facility's:

4i. Sent Out Capacity in the case of a Non-Scheduled Generator and a Scheduled Generator; or

2ii. nominated maximum consumption quantity in the case of a Dispatchable Load,

as set out in Standing Data divided by two to be expressed as MWh.

Appendix 1. Responses to submissions received during the consultation period

	Submitter	Comment/Change requested	IMO Response
1	Alinta Energy	Alinta Energy has wider concerns around whether the Tolerance Ranges adequately account for a Facility's ramping behaviour. As the formula for determining a Facility's Tolerance Range was developed specifically for the purposes of System Management's monitoring obligations, Alinta is concerned that it may not be appropriate for the purposes of a Market Generator's output, particularly during Trading Intervals when it is ramping.	<p>The IMO notes Alinta Energy's concerns and will take them into consideration when it reviews the current arrangements relating to Tolerance Ranges.</p> <p>However, the IMO notes that in June 2012 it discussed with System Management the ongoing suitability of the Tolerance Range formula, given the extended use of Tolerance Ranges under the new Balancing Market. System Management advised the IMO that it had considered this matter and had no concerns with the levels set at that time. System Management noted that it would monitor the appropriateness of the Tolerance Ranges and make an assessment of whether a review of the Tolerance Range methodology is required prior to the annual review required under clause 2.13.6G (in June 2013).</p>
2	Alinta Energy	Alinta Energy notes that the IMO is currently investigating solutions to other issues associated with the concept of Tolerance Ranges, including establishing a Tolerance Range for the Verve Portfolio. Alinta recommends that as part of these considerations the IMO and System Management undertake an assessment of whether any further modifications to the formula for determining Tolerance Ranges are required along with more widely ensuring that the concept of tolerance ranges in the Market Rules works as intended. In particular, it may be necessary to have more than one	Please refer to the response to issue 1 above.

	Submitter	Comment/Change requested	IMO Response
		Tolerance Range apply to a Facility for compliance and settlement purposes depending on whether the Facility is ramping during a Trading Interval or not.	
3	Alinta Energy	Alinta Energy recommends that the formula for determining the Tolerance Range should be included either in the Market Rules or relevant PSOP.	The IMO notes Alinta Energy's suggestion and will take it into consideration when it reviews the current arrangements relating to Tolerance Ranges.
4	Verve Energy	<p>As part of the implementation of the new Balancing Market, the IMO expanded the Tolerance Range concept to include a "dispatch tolerance", whereby the intent was to provide some flexibility for Market Participants to "on average" meet instructed MW target and ramp rate levels over an interval. Therefore the Tolerance Range concept now applies to all Facilities for the purposes of:</p> <ul style="list-style-type: none"> defining the maximum instantaneous deviation allowed from the levels defined in a Dispatch Instruction; and System Management's reporting of alleged breaches of clauses 7.10.1 or 3.21 of the Market Rules. <p>Verve Energy is concerned that the Tolerance Range concept, initially developed as a tolerance for System Management's reporting of compliance breaches only, is now being used for</p>	<p>The IMO acknowledges Verve Energy's concerns but notes that the expansion of the Tolerance Range concept to include a "dispatch tolerance" was implemented as part of RC_2011_10 and is outside of the scope of this Fast Track Rule Change Proposal. However, the IMO notes the following points.</p> <ul style="list-style-type: none"> It is possible that under the proposed amendments a Market Participant might very occasionally fail to receive Constrained On/Off Compensation for an Out of Merit (but within tolerance) Dispatch Instruction. However the IMO considers that this risk is greatly outweighed by the expected ongoing risk to the market caused by the current discrepancy between Tolerance Ranges and Settlement Tolerances. System Management (not the IMO) is responsible for the determination of Tolerance Ranges under the Market Rules, reflecting System Management's expertise in this area. The impact of extending the application of Tolerance Ranges was considered prior to the implementation of the Balancing Market on 1 July 2012 – please refer to the response to issue 1 above for further details. It is possible that under the proposed amendments some Market Participants may wish to either reduce or increase their Tolerance Ranges from the "default" value for their Facility. The IMO considers that in principle smaller Tolerance Ranges benefit the market, provided that they do not result in an undue compliance burden on System Management, the IMO or Market Participants. The IMO will work with System Management to consider whether the current arrangements for Market Participants to request the determination of a Facility Tolerance Range under the Market Rules and the PSOP: Monitoring and

	Submitter	Comment/Change requested	IMO Response
		<p>an entirely different purpose. Verve Energy has not been convinced that the current Tolerance Range is appropriate as a “dispatch tolerance” and questions what analysis the IMO has done to support this solution. Verve Energy is concerned that the current formulation could very well be too high as a “dispatch tolerance”, which would lead to Market Participants not receiving Constrained On/Off compensation that they are entitled to.</p>	<p>Reporting require any enhancement to support this.</p>
5	System Management	<p>System Management recognises that in certain circumstances issues in the Market Rules require urgent correction and that the decision to Fast Track or otherwise is at the IMO’s discretion. However, the standard rule change process is designed to ensure adequate consultation and allow changes to be made with further opportunity for consultation on amendments at the final submission stage. System Management considers that at the final report stage incremental changes to drafting only should be the norm rather than any material changes.</p> <p>The Fast Track Rule Change Process does not provide this same level of consultation and is more suited to narrowly scoped matters requiring</p>	<p>The IMO has progressed this Rule Change Proposal using the Fast Track Rule Change Process as it satisfied the criterion specified in clause 2.5.9(b) of the Market Rules. (Please refer to section 2.2 of this Final Rule Change Report for further details.) The IMO notes that there was general support from the MAC both for the proposal and for its progression using the Fast Track Rule Change Process.</p>

	Submitter	Comment/Change requested	IMO Response
		minor drafting changes.	
6	System Management	The Tolerance Range formula definition currently set out in the Power System Operation Procedure (PSOP): Monitoring and Reporting defines the ROC input variable as “the currently dispatched ramp rate of a Scheduled Generator in a particular Trading Interval, expressed in MW per minute”. Applying this ROC definition would result in a dynamic Tolerance Range that potentially changes per interval. This was not intended by System Management and revision of the PSOP will be progressed through the Procedure Change Process to ensure consistency with the Tolerance Range formula published on the IMO website.	The IMO notes System Management’s intention to progress a Procedure Change Proposal to correct this error in the PSOP: Monitoring and Reporting.
7	System Management	System Management is of the view that the IMS Interface Market Procedure is an appropriate place for the specification of the Tolerance Range data transfer requirements as referred to in RC_2012_16. However, information concerning the time, form and manner of the data transfer requirements is presently unknown and not contained in the Market Procedure. This information would be required for System Management to properly consider system implementation requirements and related costs for a	The IMO notes that the initial transfer of Tolerance Range details required under clause 2.13.6L will be via a manual interface, and looks forward to working with System Management over the next few weeks to agree the details of this interface and progress its incorporation into the IMS Interface Market Procedure.

	Submitter	Comment/Change requested	IMO Response
		final data transfer solution.	
8	System Management	The final data transfer requirements could vary. Currently the data transfer could be limited to a near annual process. However, if the Tolerance Range formula as currently defined in the PSOP were applied, tolerances could potentially vary per interval and require a significantly more frequent flow of data from System Management. Implementation costs in this latter scenario are likely to be significantly higher.	As mentioned previously, the IMO will work with System Management in early 2013 to assess the potential future volatility of Tolerance Range values and whether an automated interface and/or further amendments to the Market Rules are appropriate.
9	System Management	Clause 2.13.6D confers discretion on System Management to calculate tolerances should it choose to do so. System Management has exercised this discretion in setting a Tolerance Range for Scheduled Generators only. However, clause 2.13.6D refers to determining a Tolerance Range to apply to <i>all</i> Facilities. System Management is of the view that this is an issue of ambiguity within the Market Rules, and that this ambiguity could be addressed through amending clause 2.13.6D so that it explicitly provides for System Management to determine Tolerance Ranges for classes of Facilities.	The IMO agrees with System Management's recommendation but considers it inappropriate to include this amendment in the Final Rule Change Report for this Fast Track Rule Change Proposal. The IMO will add this issue to its Rule Change Issue Log.
10	System Management	System Management recommends that the reference to clause 3.21 in	The IMO disagrees and considers that clause 2.13.9 does impose an obligation on System Management to monitor compliance with the requirements on Rule

	Submitter	Comment/Change requested	IMO Response
		<p>clause 2.13.6D (which relates to System Management's monitoring obligations under clause 2.13.9) be removed, because clause 2.13.9 does not impose any obligation on System Management to monitor compliance with clause 3.21.</p>	<p>Participants to log Forced Outages under clause 3.21.</p> <p>Further, the IMO notes that the references to clause 3.21 throughout clause 2.13.6 were included in the Amending Rules for the Rule Change Proposal: The use of tolerance levels by System Management (RC_2009_22) in response to System Management's explicit request. Specifically, clause 2.13.9(g) requires System Management to monitor Rule Participants for breaches of clause 3.18.2(f). Clause 3.18.2(f) requires Rule Participants with equipment listed on the Equipment List to schedule outages for the equipment in accordance with clause 3.18 and clauses 3.19, 3.20 and <u>3.21</u>. System Management proposed that it should not be required to inform the IMO of the failure of a Market Participant to log a Forced Outage if the outage quantity was within the relevant Facility's Tolerance Range.</p> <p>The application of a tolerance to System Management's obligation to report unlogged Forced Outages was discussed at the February 2010 and March 2010 MAC meetings. In line with the MAC's advice the IMO included a tolerance for Forced Outage reporting in the Draft Rule Change Report and specifically requested comments on this during the second submission period. Only one comment was received, from Synergy (supporting the change). For further details please refer to the Market Web Site: IMO - RC 2009 22.</p>