



INDEPENDENT
MARKET
OPERATOR

Final Rule Change Report

Title: Commitment and De-commitment Notification Requirements

RC_2012_22

Standard Rule Change Process

Date: 21 May 2013

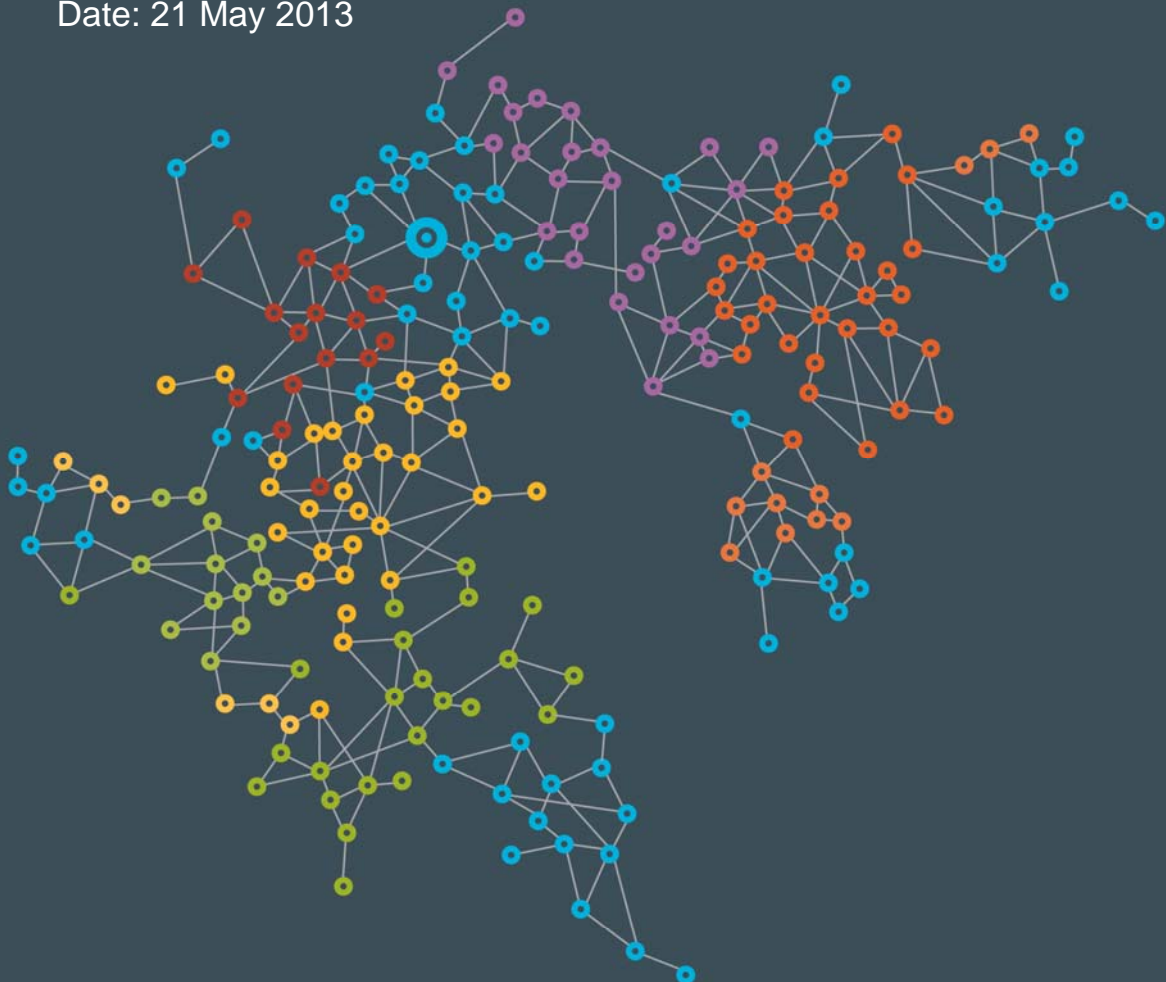


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Executive Summary

Proposed amendments

System Management submitted the Rule Change Proposal: Commitment and De-commitment notification requirements (RC_2012_22) to address an issue in the Wholesale Electricity Market Rules (Market Rules) where an unnecessary obligation of notification is placed on a Market Participant that has a Scheduled Generator connected to a distribution network. System Management observed that distribution connected generators are provided an electrical signal by Western Power Networks that only allows the generator to connect to the power system if it is safe to do so. System Management considered that such generators should be able to apply for an exemption from the requirements in clauses 7.9.1 and 7.9.5 and System Management should be able to grant or revoke an exemption by testing for safe operating equipment and procedures.

Consultation

The Pre Rule Change Proposal was discussed at the Market Advisory Committee (MAC) at its 14 November 2012 meeting, where MAC members agreed that the proposal should be submitted into the formal process after reviewing the drafting of the proposed Amending Rules.

The first submission period for this Rule Change Proposal was held between 14 December 2012 and 6 February 2013. Submissions were received from Alinta, Community Electricity, Perth Energy, Tesla Corporation and Verve Energy.

All submitters supported the Rule Change Proposal on the grounds that superfluous obligations should be removed as long as their removal does not put system security under any risk. Additionally, Alinta queried whether the exemption could be extended to transmission connected generators and Perth Energy queried how System Management would monitor ongoing compliance with the exemption. The IMO provided responses to issues and suggestions in section 4.3 of the Draft Rule Change Report.

The second submission period was held between 22 March and 22 April 2013. A submission was received from Verve Energy offering support for the Rule Change Proposal. However, Verve Energy suggested that details related to exemptions granted by System Management should be published on the Market Web Site. The IMO has responded to this suggestion in section 3.4 of this Final Rule Change Report.

Assessment against Wholesale Market Objectives

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

Practicality and Cost of Implementation

The IMO has not identified any costs associated with implementing this proposal.

The IMO has identified that the Power System Operation Procedure for Dispatch will need to be updated to document processes followed in applying, granting, revoking and monitoring the exemption. The IMO has not identified any other issues with the practicality of implementation of the Rule Change Proposal.

The IMO's Decision

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

Next Steps

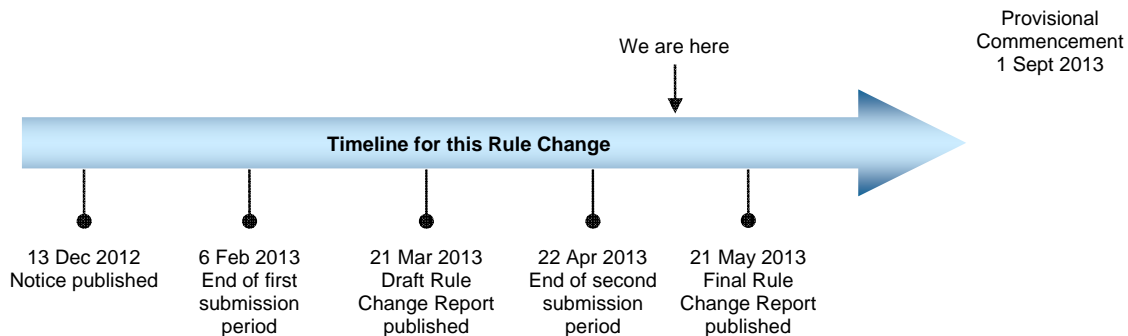
The Amending Rules will provisionally commence at **8.00 AM** on **1 September 2013**.

1. Rule Change Process and Timetable

On 11 December 2012 System Management submitted a Rule Change Proposal regarding amendments to clauses 7.9.1, 7.9.5 and new clauses 7.9.2A and 7.9.6B of the Wholesale Electricity Market (WEM) Rules (Market Rules).

This proposal is being processed using the Standard Rule Change Process, described in section 2.7 of the Market Rules. In accordance with clause 2.5.10 of the Market Rules, the IMO decided to extend the timeframe for preparation of the Draft Rule Change Report. The IMO published an extension notice on 7 March 2013 to allow for further consultation with System Management. Further details of the extension are available on the Market Web Site: http://www.imowa.com.au/rc_2012_22.

The key dates in processing this Rule Change Proposal are:



2. Proposed Amendments

2.1. The Rule Change Proposal

System Management submitted this Rule Change Proposal to address an issue in the Market Rules where an unnecessary obligation of notification is placed on Market Participants that have a Scheduled Generator connected to a distribution network.

Under clauses 7.9.1 and 7.9.5, Market Participants intending to synchronise or desynchronise a Scheduled Generator must confirm the expected time of synchronisation or desynchronisation with System Management. This is required so that equipment ratings are not exceeded and there is no possibility of energising a system being worked on.

For Scheduled Generators connected to a transmission network, this notification is typically provided by telephone to enable a check of the impact of the synchronisation or desynchronisation by the generator.

For Scheduled Generators connected to a distribution network, this notification is provided automatically via an electrical signal from Western Power Networks that allows the generator to synchronise or desynchronise without the need for a manual notification. However, in accordance with clauses 7.9.1 and 7.9.5, the generator would still be required to provide a separate confirmation to System Management. Market Participants are subjected to civil penalties for contravening these clauses.

System Management has proposed that Market Participants that have Scheduled Generators connected to a distribution network and are able to satisfy System Management that safe equipment and operating procedures exist for synchronisation or desynchronisation should be able to be exempt from the requirement to notify System Management.

For full details of the Rule Change Proposal please refer to the Market Web Site: http://www.imowa.com.au/rc_2012_22

2.2. The IMO's Initial Assessment of the Proposal

The IMO decided to proceed with the proposal on the basis that Rule Participants should be given an opportunity to provide submissions on the Rule Change Proposal.

3. Consultation

3.1. The Market Advisory Committee

Mr Brendan Clarke presented an overview of System Management's Pre Rule Change Proposal to the Market Advisory Committee (MAC) at its 14 November 2012 meeting. The following points were raised during the ensuing discussion:

- Mr Nenad Ninkov queried whether it was equitable to treat transmission and distribution generators differently. Mr Clarke responded that the two were already treated differently in the Technical Rules.
- Mr Ninkov queried what the maximum sized generator was which could connect to the distribution network. Mr Clarke responded that the generators which are currently connected are around 10 MW although there is one large alumina refinery connected to the distribution network as well.
- Ms Jenny Laidlaw queried whether the permission to synchronise without prior notification given by System Management could ever be reversed. Mr Clarke agreed that it could.
- Mr Peter Huxtable queried whether there was a penalty if a generator's control system fails. Mr Clarke responded that there was no penalty under the Market Rules but that they may exist under the Access Code.
- Mr Ninkov queried what the motivation was for this proposal. Mr Clarke responded that the motivation was to remove a superfluous requirement that exists for both Market Participants and System Management. Mr Andrew Stevens noted that any instances where System Management removes unnecessary compliance obligations should be encouraged and supported.
- Ms Jenny Laidlaw noted that minor amendments to the drafting were required, for example, to provide System Management with the ability to withdraw its permission for a Facility to commit or de-commit without prior notification.

The MAC agreed that the Rule Change Proposal should be submitted into the formal process after making changes to the drafting of the proposed Amending Rules.

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 first submission period

The first submission period for this Rule Change Proposal was between 14 December 2012 and 6 February 2013. The first submission period was extended to 35 days to account for Christmas holidays. Submissions were received from Alinta, Community Electricity, Perth Energy, Tesla Corporation and Verve Energy.

All submitters supported the Rule Change Proposal on the grounds that superfluous obligations should be removed as long as their removal does not put system security at risk.

Additionally, Alinta queried whether the proposed exemption could be further extended to transmission connected generators in light of the new Balancing Market design where System Management issues multiple advanced instructions and Facilities must comply with those instructions.

Perth Energy highlighted that reduction in red tape must not be achieved by compromising system security. Perth Energy queried how System Management would monitor ongoing compliance of the generation system with the exemption.

A copy of all submissions in full received during the first submission period is available on the Market Web Site: http://www.imowa.com.au/rc_2012_22

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

The IMO's response to submissions received during the first submission period are detailed in section 4.3 of the Draft Rule Change Report available on the following Market Web Site: http://www.imowa.com.au/rc_2012_22

3.4. Submissions received during the second submission period

Following publication of the Draft Rule Change Report on the Market Web Site, the second submission period was held between 22 March 2013 and 22 April 2013.

A submission was received from Verve Energy. Verve Energy supported the Rule Change Proposal and requested that the IMO reconsider its decision for exemption details to be published on System Management's website as opposed to the Market Web Site. Verve Energy cited some examples in the Market Rules where assessments or decisions made by System Management are published on the Market Web Site.

The IMO noted Verve Energy's suggestion and considered that it is most appropriate for the list to be published on System Management's website to allow maximum control over timely modifications that might need to be made in response to testing of operating equipment and processes. Information related to communication and control systems are mainly of interest to generators and System Management and should therefore be available on System Management's website. An extra reporting and publication protocol between System Management and the IMO is unnecessary in this case.

3.5. Public Forums and Workshops

No public workshop was held in regard 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 section 5 of the Draft Rule Change Report.

5. The IMO's Proposed Decision

The IMO's proposed decision was to accept the Rule Change Proposal as modified by the amendments outlined in the Draft Rule Change Report.

The wording of the proposed Amending Rules was presented in section 7 of the Draft Rule Change Report.

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

- better achieve Wholesale Market Objectives (a) and (d);
- are consistent with the remaining Wholesale Market Objectives;
- have the general support of the MAC; and
- have the support of submissions received during the first submission period.

6. The IMO's Final Assessment

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

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 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.

6.1. Wholesale Market Objectives

The IMO considers that the Market Rules as a whole, if amended as presented in section 8, will not only be consistent with the Wholesale Market Objectives but also allow the Market Rules to better achieve Wholesale Market Objectives (a) and (d).

The IMO's assessment is presented below:

(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 improve overall efficiency in the market while maintaining safety and reliability of the power system. The IMO considers that the proposed amendments will promote more efficient dispatch processes by removing unnecessary obligations on both Market Participants and System Management.

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

The IMO considers that the proposed amendments will reduce administrative costs for both Market Participants and System Management by removing the requirement to notify System Management when safe operating equipment and procedures are already installed to avoid erroneous connection.

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

6.2. Practicality and Cost of Implementation

6.2.1. Cost:

No costs associated with implementing the proposed changes have been identified.

6.2.2. Practicality:

The IMO has identified that the Power System Operation Procedure (PSOP): Dispatch will need to be updated as a result of this Rule Change Proposal. In particular, the PSOP should be amended to reflect the processes that:

- Market Participants should follow to apply for an exemption;
- System Management should follow to grant/revoke an exemption;
- Market Participants should follow to inform System Management if any faults occur in operating equipment and procedures; and
- System Management should follow to conduct ongoing monitoring of the exempt generator to ensure validity of the exemption.

The IMO does not consider that there are any other issues with the practicality of implementation of the proposed changes. No practicality of implementation issues were identified by submitting parties.

7. The IMO's Decision

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

7.1. Reasons for the decision

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

- better achieve Wholesale Market Objectives (a) and (d);
- are consistent with the remaining Wholesale Market Objectives;
- have the general support of the MAC; and
- have the support of submissions received during the first and second submission periods.

Additional detail outlining the analysis behind the IMO decision is outlined in section 5 of this Final Rule Change Report.

8. Amending Rules

8.1. Commencement

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

8.2. Amending Rules

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

- 7.9.1. Subject to clauses 7.9.1A and 7.9.2, if a Market Participant intends to synchronise a Scheduled Generator, then unless it is exempt in accordance with clause 7.9.14, it must confirm with System Management the expected time of synchronisation:
- (a) at least one hour before the expected time of synchronisation; and
 - (b) must update this advice immediately if the time confirmed pursuant to clause 7.9.1(a) changes.
- 7.9.1A. Clause 7.9.1(a) does not apply where a Market Participant intends to synchronise a Scheduled Generator within an hour of desynchronisation, in which case it must:-
- ...
- 7.9.5. Subject to clause 7.9.6A, if a Market Participant intends to desynchronise a Scheduled Generator, then unless it is exempt in accordance with clause 7.9.14, it must:
- (a) confirm with System Management the expected time of desynchronisation at least one hour before the expected time of desynchronisation; and

- (b) update this advice immediately if the time confirmed pursuant to clause 7.9.5(a) changes.

7.9.13. If a Scheduled Generator connected to a distribution network has operating equipment and processes which enable it to synchronise and desynchronise only when it is safe to do so, then the Market Participant for that Scheduled Generator may apply to System Management for an exemption from the requirements in clauses 7.9.1 and 7.9.5.

7.9.14. Where System Management receives an application under clause 7.9.13 and is satisfied that the relevant Scheduled Generator has operating equipment and processes which enable it to synchronise and desynchronise only when it is safe to do so, System Management may exempt the Market Participant from the requirements in clauses 7.9.1 and 7.9.5 for that Scheduled Generator.

7.9.15. System Management must notify a Market Participant, in writing, of its decision under clause 7.9.14 to grant an exemption or not and provide written reasons for its decision.

7.9.16. A Market Participant that is exempt from the requirements in clauses 7.9.1 and 7.9.5 must notify System Management as soon as it becomes aware of any matter or thing which might prevent the Scheduled Generator that is the subject of the exemption from synchronising and desynchronising safely.

7.9.17. System Management may, at any time, by notice in writing, revoke an exemption granted by it under clause 7.9.14 if it is no longer satisfied that the Scheduled Generator for which the exemption was granted has operating equipment and processes which enable it to synchronise and desynchronise only when it is safe to do so. The notice must include:

- (a) the decision of System Management to revoke the exemption and written reasons for its decision; and
- (b) the date on which the exemption ceases to apply.

7.9.18. System Management must maintain, on its website, a list of Scheduled Generators for which the relevant Market Participant is exempt from the requirements in clauses 7.9.1 and 7.9.5.

7.9.19. System Management must document in the Power System Operation Procedure for Dispatch the processes to be used:

- (a) for applications under clause 7.9.13;
- (b) by System Management in determining whether or not to grant an exemption under clause 7.9.14;

- (c) by System Management in determining whether or not to revoke an exemption under clause 7.9.17;
- (d) for notification of any exemptions granted or revoked by System Management;
and
- (e) publishing and maintaining on System Management's website any information and details with respect to any exemptions.