



Rule Change Notice: Removal of Market Operation Market Procedures (RC_2015_01)

This notice is given under clause 2.5.7 of the Wholesale Electricity Market Rules (Market Rules).

Submitter: Paul Tetley, IMO

Date submitted: 3 March 2015

The Rule Change Proposal

The IMO has reviewed the current head of power clauses and 11 associated Market Procedures used in the daily operation of the Wholesale Electricity Market to determine if they continue to meet the requirements of the Market Rules and identify any opportunities to improve the quality of the procedures. The IMO has determined that a number of Market Procedures require updating to reflect the current market arrangements, and some Market Procedures could be consolidated to streamline the documentation with respect to particular processes.

The IMO has identified that three of the 11 Market Procedures can be retired to streamline the documentation of related processes. This will ensure the efficient and complete provision of information.

Appendix 1 contains the Rule Change Proposal and gives complete information about:

- the proposed amendments to the Market Rules;
- relevant references to the Market Rules and any proposed specific amendments to those clauses; and
- the submitter's description of how the proposed amendments would allow the Market Rules to better address the Wholesale Market Objectives.

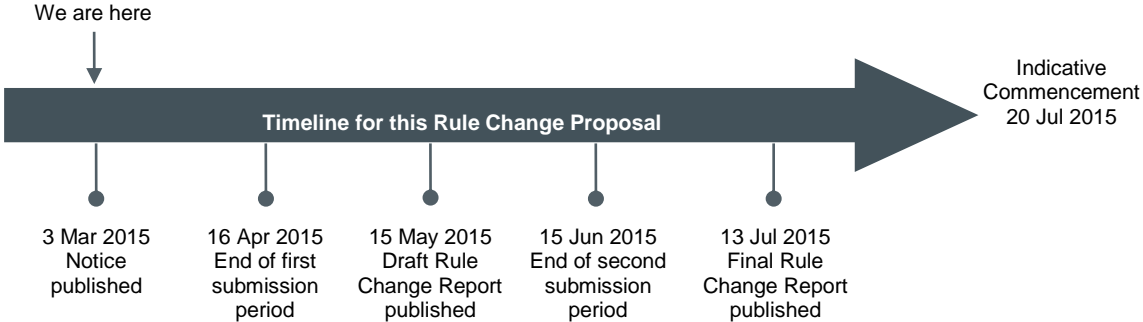
Decision to progress the Rule Change Proposal

The IMO has decided to progress this Rule Change Proposal on the basis that section 4 of the Rule Change Proposal indicates that the proposed amendments would better achieve the Wholesale Market Objectives. In particular, the existence of several unnecessary Market Procedures has resulted in inefficient and cumbersome administrative processes and by removing and streamlining the three Market Procedures it is expected to allow the Market Rules to better achieve Wholesale Market Objectives (a), (b) and (d) and is consistent with the remaining objectives.

Therefore, the IMO considers that stakeholders should be given an opportunity to provide submissions as part of the Standard Rule Change Process.

Timeline

The projected timelines for progressing this proposal are:



Call for submissions

The IMO invites interested stakeholders to make submissions on this Rule Change Proposal. The submission period is 30 Business Days from the Rule Change Notice publication date. Submissions must be delivered to the IMO by **5:00 PM on Thursday 16 April 2015**.

The IMO prefers to receive submissions by email, using the submission form available at: www.imowa.com.au/wem-rule-changes to market.development@imowa.com.au.

Submissions may also be sent to the IMO by post, addressed to:

Independent Market Operator
Attn: Group Manager, Development and Capacity
PO Box 7096
Cloisters Square, PERTH, WA 6850



Rule Change Proposal: RC_2015_01

Change requested by:

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Date submitted	3 March 2015
Urgency	Low
Rule Change Proposal title	Removal of Market Operation Market Procedures
Clauses affected	Clauses 4.28A.3, 7A.1.6, 7A.3.3, 7A.3.19, 7A.3.19A (new), 7A.3.20, 7A.3.21, 7B.3.3, 8.6.2, 9.2.1, 9.4.3, heading 9.2, the Glossary and the Table of Contents

Introduction

Clause 2.5.1 of the Wholesale Electricity Market Rules (Market Rules) provides that any person (including the IMO) may make a Rule Change Proposal by completing a Rule Change Proposal form that must be submitted to the IMO.

The IMO prefers to receive submissions by email to market.development@imowa.com.au using the Rule Change Proposal form available at: <http://www.imowa.com.au/rule-changes>.

Submissions may also be sent to the IMO by post, addressed to:

Independent Market Operator

Attn: Group Manager, Development and Capacity
PO Box 7096
Cloisters Square, PERTH, WA 6850

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 Market Objectives.

The Wholesale Market Objectives 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 Rule Change Proposal

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

1.1 Background

The Wholesale Electricity Market Rules (Market Rules) provide for the IMO and System Management to document various processes and methodologies that facilitate the operation of the relevant Market Rules in Market Procedures¹. The Market Rules provide 'head of power' clauses that require the documentation of the relevant processes and, in some cases, also specifically require certain parties to comply with these Market Procedures.

The IMO has reviewed the current head of power clauses and 11 associated Market Procedures used in the daily operation of the market to determine if they continue to meet the requirements of the Market Rules and identify any opportunities to improve the quality of the procedures. The IMO has determined that a number of Market Procedures require updating to reflect the current market arrangements, and some Market Procedures could be consolidated to streamline the documentation with respect to particular processes.

1.2 Removal of Market Procedures

The IMO has identified that a number of the 11 Market Procedures can be removed to streamline the documentation of related processes. This will ensure the efficient and complete provision of information and will allow for some unnecessary Market Procedures to be removed, namely the Market Procedure: Intermittent Load Refunds, Market Procedure: Meter Data Submissions and Market Procedure: Capacity Credit Allocation.

¹ Market Procedures are defined as procedures developed by the IMO and System Management, and therefore include Power System Operation Procedures (PSOPs). However, this Rule Change Proposal only covers the IMO's Market Procedures.

Market Procedure: Intermittent Load Refunds

Section 4.28A of the Market Rules requires the IMO to determine the Intermittent Load Refund for each Intermittent Load registered to a Market Participant in accordance with the steps outlined in clause 4.28A.1. Clause 4.28A.2 outlines the steps the IMO and System Management must take to support the refund calculation in clause 4.28A.1 of the Market Rules. Further, clause 4.28A.3 of the Market Rules requires the IMO to document, in the “Reserve Capacity Procedure”, the process it must follow in calculating the refunds.

The IMO proposes to amend clause 4.28A.3 of the Market Rules to require the IMO to document the procedure the IMO must follow in calculating Intermittent Load Refunds in “a Market Procedure”. The IMO proposes to document this process in the Market Procedure: Settlement.

In addition, the IMO proposes to delete the Market Procedure: Intermittent Load Refunds on the basis that:

- the current version of the Market Procedure: Intermittent Load Refunds does not include any further details than is currently provided in section 4.28A of the Market Rules; and
- the calculation of Intermittent Load Refunds is part of the non-STEM settlement process performed by the IMO’s settlement system, therefore the explanation of the process and the input variables should instead be covered in the Market Procedure: Settlements.

Market Procedure: Meter Data Submissions

Clause 8.6.2 of the Market Rules requires the IMO to document the format of Meter Data Submissions in the Market Procedure: Settlement. Currently, this information is contained in the Market Procedure: Meter Data Submissions and not the Market Procedure: Settlement.

The IMO proposes to delete clause 8.6.2 of the Market Rules and the associated Market Procedure: Meter Data Submissions on the basis that the procedure is redundant because:

- the format of Meter Data Submissions is covered in clause 8.6.1 of the Market Rules, and a more specific description of the Meter Data File Format is included in the WA B2B Procedure: Meter Data Process (Version 0.4)² and subsidiary documents for further details regarding the format of NEM12 files;
- the timing of the provision of meter data is also included in the WA B2B Procedure: Meter Data Process;
- several provisions in the Market Procedure are duplicated from the Electricity Industry (Metering) Code 2012 (Metering Code)³ which means that the Market Procedure does not add any value⁴ and leads to the risk of inconsistent and out-dated information in the Market Rules and Market Procedure where the Metering Code is amended, and an unnecessary administrative burden associated with ensuring corresponding changes are made to the Market Rules and Market Procedure; and

² The WA B2B Procedure: Meter Data Process Version No 0.4 is part of the Metering Code 2005 Communication Rules Build Pack.

³ The comprehensive legislative instrument under the *Electricity Industry Act 2004* containing the obligations of the Network Operator (who is the Metering Data Agent for the purpose of the Market Rules).

⁴ The IMO is working with Western Power to improve the current data transfer processes for metering data and intends to document that new process in an appropriate form.

- the only additional material in the Market Procedure is format requirements for non-interval or accumulation meter data. These requirements are redundant because this data is not used for any settlement purposes.

Market Procedure: Capacity Credit Allocation

Clause 9.4.3 of the Market Rules specifies that the format of and methodology to submit a Capacity Credit Allocation Submission form will be prescribed in “the Settlement Procedure”. Currently, this information is contained in the Market Procedure: Capacity Credit Allocation and not in the Market Procedure: Settlement.

The IMO notes that the majority of the information contained in the Market Procedure is already well-documented in section 9.4 of the Market Rules. Since the development of the Market Procedure, the IMO has also facilitated the Capacity Credit Allocation Submissions process in its IT systems. This means that the process-related information is contained in the Market Participant Interface User Guide⁵. The IMO therefore considers it is unnecessary to repeat this information in a Market Procedure.

As there is no head of power clause in the Market Rules requiring this Market Procedure, no changes to the Market Rules are required to give effect to this. The IMO proposes to progress a Procedure Change Proposal to place any residual information in the Market Procedure: Settlement.

Market Procedure: Balancing Market Forecast

Clause 7A.3.20 of the Market Rules requires the IMO to develop the “Balancing Forecast Market Procedure” in accordance with two principles, one is that the forecasts must use the latest information available and the second is that it should provide Market Generators with information to make or update Balancing Submissions.

The IMO notes that the documentation of the processes by which these forecasts are developed is valuable. However, the current head of power clause doesn’t provide information about the processes that should be included in the Market Procedure. The IMO therefore proposes to introduce a new clause, 7A.3.19A of the Market Rules to specify that the following processes that must be documented in a Market Procedure:

- determining Forecast BMOs and providing them to System Management;
- preparing and publishing Balancing Forecasts; and
- assigning priorities to Facilities in the case of a tie.

1.3 Removal of unnecessary administrative prescription

The IMO notes that the inclusion of the name of the Market Procedure in which information is contained creates unnecessary administrative prescription and has resulted in the inefficient creation and maintenance of additional Market Procedures. The IMO therefore proposes to progress a changed drafting style that removes the name of the procedure and instead only refers to “a Market Procedure”. In particular, the IMO proposes to:

⁵ Available at: <http://www.imowa.com.au/home/electricity/market-participants/guides-and-useful-information>.

- amend clause 7A.1.6 of the Market Rules to delete the reference to a “Balancing Facility Requirements Market Procedure”, and instead refer to “a Market Procedure”;
- amend clauses 7A.3.3, 7A.3.19, 7A.3.20 and 7B.3.3 and the definition of Balancing Forecast in the Glossary of the Market Rules to delete the reference to “Balancing Forecast Market Procedure”, and instead refer to “a Market Procedure” and remove the term Balancing Forecast Market Procedure from the Glossary;
- amend clause 9.2.1 of the Market Rules to delete the reference to “the Settlement Procedure” and instead refer to “a Market Procedure”; and
- amend clause 9.4.3 of the Market Rules to delete the reference to “the Settlement Procedure” for documenting the form and method of providing Capacity Credit Allocation Submissions in and instead refer to “a Market Procedure”.

This will allow the IMO flexibility to create, amend, consolidate and/or delete Market Procedures through the Procedure Change Process as it considers relevant and necessary, and remove the mandatory obligation to create the specific Market Procedures prescribed in the Market Rules. This will allow for more flexibility in determining which Market Procedures are necessary to support the operation of the rules and provide information on compliance to Rule Participants, and in what context it is best presented.

1.4 Other minor amendments

The IMO also proposes to make the following minor amendments:

- Amend the heading of section 9.2 of the Market Rules to be consistent with the removal of the title of the “Settlement Procedure”.
- Remove the requirement in clauses 4.28A.3 and 9.2.1 of the Market Rules for the IMO and Market Participants to comply with the Market Procedure, on the basis that the general requirements for Rule Participants to comply with relevant Market Procedures are contained in clauses 2.9.6, 2.9.7 and 2.9.8 of the Market Rules, making the explicit reference in this clause redundant.
- Make minor drafting improvements in clauses 4.28A.3, 7A.1.6, 7A.3.21, 7B.3.3 and 9.4.3, the heading of the Glossary and defined term Balancing Forecast in the Market Rules.

2. Explain the reason for the degree of urgency

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

The IMO considers the proposed amendments are administrative in nature and will benefit the market by facilitating the streamlining and improvement of the IMO’s Market Procedures. The IMO therefore considers it is beneficial to commence consultation prior to the completion of the State Government’s Electricity Market Review.

3. Provide any specific changes to clauses of the Market Rules

[Changes to the current wording of the Market Rules are shown with ~~strikethrough~~ where words are deleted and underline where words are added]

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- ...
- 9.2. ~~Settlement Process Procedure~~
- ...
- 4.28A.3. The IMO must document the procedure the IMO must follow in calculating Intermittent Load Refunds in a Market Procedure, ~~the Reserve Capacity Procedure,~~ and the IMO must follow that documented Market Procedure when calculating Intermittent Load Refunds.
- ...
- 7A.1.6. The IMO must ~~develop a Balancing Facility Requirements~~ specify the following matters in a Market Procedure specifying:
- (a) the technical and communication criteria that a Balancing Facility, (or a type of Balancing Facility), must meet, including:
 - i. Facility quantity parameters and limits for participation in the Balancing Market;
 - ii. the manner and forms of communication to be used while participating in the Balancing Market, including when receiving Dispatch Instructions; and
- ...
- ...
- ...
- 7A.3.3. ~~In circumstances where~~ if there is a tie in the ranking of Balancing Facilities in the BMO under clause 7A.3.2 ~~in the BMO then~~ the IMO must break the tie in accordance with the ~~Balancing Forecast~~ Market Procedure referred to in clause 7A.3.19A, which must give effect to the following descending order of priority:
- ...
- ...
- 7A.3.19. The IMO must, if it has sufficient information available to it, determine and publish ~~under clause 7A.3.21 the~~ a Balancing Forecast for each Trading Interval in the Balancing Horizon under clause 7A.3.21. The IMO must ~~determine the Balancing Forecast~~ in accordance with the ~~Balancing Forecast~~ Market Procedure referred to in clause 7A.3.19A.
- 7A.3.19A. The IMO must specify the following matters in a Market Procedure:

- (a) the processes to be followed by the IMO when determining a Forecast BMO and providing it to System Management (under clause 7A.3.17);
- (b) the processes to be followed by the IMO when determining and publishing a Balancing Forecast (under clause 7A.3.19);
- (c) the processes to be followed by the IMO when it breaks a tie in the ranking of Balancing Facilities in the BMO (under clause 7A.3.3);
- (d) the processes to be followed by the IMO when it breaks a tie in the ranking of LFAS Facilities in the LFAS Merit Order (under clause 7B.3.3); and
- (e) any other matters that the IMO considers relevant.

7A.3.20. The IMO must develop the ~~Balancing Forecast~~ Market Procedure referred to in clause 7A.3.19A in accordance with the following principles:

- (a) to the extent reasonably practicable, the Balancing Forecasts and the Forecast BMOs must use the latest information available to the IMO; and
- (b) to provide Market Generators with information upon which to make an assessment regarding whether to make a Balancing Submission or to update a Balancing Submission in accordance with the Market Rules.

7A.3.21. The IMO must, to the extent it is reasonably able within the Trading Interval, commencing at 6:00 PM on Balancing Market Commencement Day:

- (a) publish on the Market Web Site a Balancing Forecast for each Trading Interval ~~during~~ in the Balancing Horizon;

...

...

7B.3.3. ~~In circumstances where~~ if there is a tie in the ranking of LFAS Facilities in the LFAS Merit Order under clauses 7B.3.1 or 7B.3.2 in the LFAS Merit Order, then the IMO must break the tie in accordance with the Market Procedure referred to in clause 7A.3.19A ~~assign priority to break the tie for the Trading Interval in which the tie occurred.~~ Priority, for the relevant Trading Day Interval, ~~will~~ must be based on a daily random number assigned to each LFAS Facility in accordance with the ~~Balancing Forecast that~~ Market Procedure.

...

~~8.6.2. The IMO must document:~~

- ~~(a) the format of Meter Data Submissions;~~
- ~~(b) [Blank]~~

~~in the Settlement Procedure, and Metering Data Agents must comply with that documented Market Procedure when developing and submitting Meter Data Submissions.~~



...

9.2. Settlement Process Procedure

9.2.1. The IMO must document the settlement process, including the application of taxes and interest, in ~~the a Settlement Market Procedure, and the IMO and Market Participants must follow that documented Market Procedure.~~

...

9.4.3. A Market Participant, when making a Capacity Credit Allocation Submission, must provide ~~to the IMO~~ the information specified in clause 9.5.1 to the IMO:

(a) in using the form prescribed by the IMO; and

(b) by a the method prescribed in the SettlementMarket Procedure referred to in clause 9.2.1.

...

11. Glossary

...

Balancing Forecast: Means, with respect to a Trading Interval, the IMO's a-forecast of each of the following matters, (as determined by the IMO in accordance with the Balancing Forecast Market Procedure referred to in clause 7A.3.19A, for a Trading Interval, of the following:

- (a) the Relevant Dispatch Quantity for the Trading Interval;
- (b) the aggregate output of all Non-Scheduled Generators which are Balancing Facilities for the Trading Interval; and
- (c) the Balancing Price for the Trading Interval.

Balancing Forecast Market Procedure: Means the Market Procedure developed under ~~clause 7A.3.20.~~

The proposed Amending Rules in this Rule Change Proposal are based on the current Market Rules and do not reflect the proposed Amendments in the Rule Change Proposal: Removal of Resource Plans and Dispatchable Loads (RC_2014_06).

4. Describe how the proposed changes would allow the Market Rules to better address the Wholesale Market Objectives

The IMO considers that a better framework for Market Procedures will better achieve Wholesale Market Objectives (a), (b) and (d) and is consistent with the remaining objectives.

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
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system

The proposed amendments will improve the documentation of various obligations, processes and methodologies under the Market Rules thereby reducing the administrative burden and compliance costs associated with interpreting and understanding the operational aspects of the market. This will promote economic efficiency, reduce barriers to entry thereby facilitating competition in the market, and minimise the long-term cost of electricity to consumers.

The IMO also considers that the proposed amendments are consistent with the remaining Wholesale Market Objectives because they seek to streamline the documenting of obligations and processes without changing the current interpretation and operation of the relevant Market Rules.

5. Provide any identifiable benefits and costs of the proposed changes

5.1 Benefits

The proposed amendments enable the IMO to streamline and improve the existing documentation of various obligations, processes and methodologies under the Market Rules, and, through improved transparency or information in the market, therefore reduce the risk of:

- (a) non-compliance with the Market Rules;
- (b) making inconsistent operational decisions;
- (c) increased administrative burden, service delivery and loss of productivity; and
- (d) increased compliance costs.

5.2 Costs

The IMO will incur minor administrative costs in progressing this Rule Change Proposal and the associated Procedure Change Proposals.

No other costs are expected with regard to implementing the proposed amendments as they do not change the intended operation of the Market Rules.

6. Provide any considerations associated with the implementation of the proposed changes

The proposed amendments in this Rule Change Proposal will result in the removal of the following Market Procedures:

1. Market Procedure: Intermittent Load Refunds; and
2. Market Procedure: Meter Data Submissions;

The Market Procedure: Capacity Credit Allocation will also be deleted, although, as it is not required by the Market Rules, a Rule Change Proposal is not required for the IMO to do so.

The IMO intends to review the Market Procedure: Settlement and progress any Procedure Change Proposal required to ensure that the necessary processes are up to date and detailed, in parallel to this Rule Change Proposal. The IMO will convene the IMO Procedure Change and Development Working Group during the early stages of the rule change process to consider the necessary Procedure Change Proposals.

It should be noted that there are some overlaps with drafting in the Rule Change Proposal: Removal of Resource Plans and Dispatchable Loads (RC_2014_06)⁶. The proposed Amending Rules in this Rule Change Proposal are based on the current Market Rules and do not reflect the proposed amendments in RC_2014_06. The IMO intends to consolidate the drafting in one or other of the two Rule Change Proposals at a later date, if appropriate.

The IMO does not expect any issues with respect to the practicality of implementation because the proposed amendments do not alter the interpretation or the operation of current Market Rules.

The IMO will need to update the list of confidential information on the Market Web Site⁷ to reflect the removal of the Market Procedures referred to in clauses 4.28A.3 and 8.6.2 and ensure that the list correctly reflects the remaining Market Procedures.

This Rule Change Proposal does not propose to amend any clauses that are Protected Provisions, civil penalty provisions or Reviewable Decisions.

⁶ Available at: www.imowa.com.au/RC_2014_06.

⁷ Available at: <http://www.imowa.com.au/home/electricity/market-information/managing-market-information>.