



## Agenda Item 5a (i): Overview of Market Rule Changes

Below is a summary of the status of Market Rule Changes that are either currently being progressed by the IMO or have been registered by the IMO as potential Rule Changes to be progressed in the future.

| Rule changes: Formally submitted (see appendix 1)   | April     | May          | June<br>(as at 4 June) |
|---|-----------|--------------|------------------------|
| Fast track with Consultation Period open  | 0         | 1            | 0                      |
| Standard Rule Changes with 1 <sup>st</sup> Submission Period Open                                 | 3         | 5            | 1                      |
| Fast Track Rule Changes with Consultation Period Closed (final report being prepared)             | 0         | 0            | 0                      |
| Standard Rule Changes with 1 <sup>st</sup> Submission Period Closed (draft report being prepared) | 4         | 3            | 5                      |
| Standard Rule Changes with 2 <sup>nd</sup> Submission Period Open                                 | 2         | 2            | 3                      |
| Standard Rule Changes with 2 <sup>nd</sup> Submission Period Closed (final report being prepared) | 0         | 3            | 2                      |
| Rule Changes - Awaiting Minister's Approval and/or Commencement                                   | 0         | 0            | 2                      |
| <b>Total Rule Changes Currently in Progress</b>   | <b>9</b>  | <b>14</b>    | <b>14</b>              |
| Potential changes logged by the IMO- Not yet formally submitted (see appendix 2)                  | April     | May          |                        |
| High Priority (to be formally submitted in the next 3/6 months)                                   | 4         | 1<br>(+1/-4) |                        |
| Medium Priority (may be submitted in the next 6/12 months)  | 18        | 10<br>(-8)   |                        |
| Low Priority (may be submitted in the next 12/18 months)  | 14        | 9<br>(-5)    |                        |
| <b>Potential Rule Changes (H, M and L)</b>  | <b>36</b> | <b>20</b>    |                        |
| Minor and typographical (submitted in batches three times per year)                               | 2         | 16<br>(+14)  |                        |
| <b>Total Potential Rule Changes</b>   | <b>38</b> | <b>36</b>    |                        |

## APPENDIX 1: FORMALLY SUBMITTED RULE CHANGES

### Standard Rule Change with First Submission Period Open

| ID         | Date submitted | Title   | Submitter         | Next step              | Date       |
|------------|----------------|---|-------------------|------------------------|------------|
| RC_2009_08 | 21/04/2009     | Updates to Commissioning Provisions                 | IMO               | Submission Period Ends | 09/06/2009 |
| RC_2009_10 | 21/04/2009     | Early Certified Reserve Capacity                    | IMO               | Submission Period Ends | 09/06/2009 |
| RC_2009_17 | 05/05/2009     | Transparency of Capacity Credit Allocation          | IMO               | Submission Period Ends | 19/06/2009 |
| RC_2009_18 | 05/05/2009     | Reserve Capacity Refund price calculation           | IMO               | Submission Period Ends | 19/06/2009 |
| RC_2009_20 | 05/05/2009     | Opportunistic Maintenance outage approval timeframe | System Management | Submission Period Ends | 19/06/2009 |

### Fast Track Rule Change with Consultation Period

| ID         | Date submitted | Title  | Submitter | Next step                | Date       |
|------------|----------------|--|-----------|--------------------------|------------|
| RC_2009_16 | 21/04/2009     | Correction of minor and typographical errors | IMO       | Consultation Period Ends | 28/05/2009 |

#### Standard Rule Change with First Submission Period Closed

| ID         | Date submitted | Title   | Submitter                     | Next step              | Date       |
|------------|----------------|---|-------------------------------|------------------------|------------|
| RC_2009_05 | 17/03/2009     | Confidentiality of Accepted Outages                           | System Management             | Draft Report Published | 19/06/2009 |
| RC_2009_11 | 13/03/2009     | Changing the Window of Entry into the Reserve Capacity Market | IMO                           | Draft Report Published | 19/06/2009 |
| RC_2009_15 | 25/03/2009     | Removal of ERA Time Limit to Publish Investigation Results    | Economic Regulation Authority | Draft Report Published | 04/06/2009 |

#### Standard Rule Change with Second Submission Period Open

| ID         | Date submitted | Title   | Submitter         | Next step              | Date       |
|------------|----------------|---|-------------------|------------------------|------------|
| RC_2009_07 | 17/03/2009     | Under Construction for the Reserve Capacity Mechanism                 | IMO               | Submission period ends | 22/06/2009 |
| RC_2009_13 | 12/03/2009     | Timing Flexibility for Transfer of Information from System Management | System Management | Submission period ends | 22/06/2009 |

#### Standard Rule Change with Second Submission Period Closed

| ID         | Date submitted | Title   | Submitter         | Next step              | Date       |
|------------|----------------|---|-------------------|------------------------|------------|
| RC_2008_34 | 02/10/2008     | Funding of SRC in the event of capacity credit cancellation | IMO               | Final Report Published | 26/06/2009 |
| RC_2009_03 | 18/02/2009     | Provision of Intermittent Generator Forecast Information    | System Management | Final Report Published | 19/06/2009 |

## APPENDIX 2: POTENTIAL RULE CHANGE LOG

| Issue # | Priority (h, m, l) | Date Raised | Chapter | Clause    | What is this issue?  |
|---------|--------------------|-------------|---------|-----------|--|
| IR 16   | L                  | 2007        | 4       | All       | The rules do not place any lower limit on the size of an intermittent or curtailable load (Reserve capacity is certified in blocks of 0.001 MW so this places a natural lower limit).  |
| IR 17   | M                  | 23/01/2008  | 4       | 4.3.1d    | The number of capacity credits which the IMO expects will be bilaterally traded in the EOI document is difficult to forecast, and impractical to do. The IMO can report on the number of Capacity Credits that were "intended to be Bilaterally Traded", from the Bilateral Trade Declaration process, but this would require different wording. Possibly remove this requirement.   |
| IR 18   | L                  | 8/02/2006   | 4       | 4.12.6    | Clause 4.12.6 could be updated to reflect the pro-rating approach for adjusting obligations if Capacity Credits change (and recognising both increases and decreases in Capacity Credits)  |
| IR 19   | L                  | 17/02/2006  | 4       | Chapter 4 | The Reserve Capacity Auction price is the price of the highest price offer cleared. But the rules fail to address what the price will be if there are no offers. The IMO considers that the price could be the Maximum Reserve Capacity Price. This is something that could be addressed in the context of having the 85% factor on the price if no auction is held updated. (e.g. if no auction is held, or no capacity is scheduled in the auction, then price equals 85 % of the Maximum Reserve Capacity Price)  |
| IR 20   | L                  | 17/02/2006  | 4       | 4.21      | What happens when the IMO swaps a high Reserve Capacity offer price for a lower RC offer price in the auction that the facility is new. Under current rules it will get a LT SPA linked to the auction price and for the first year a ST SPA for the difference between its offer price and the auction price. This could be streamlined so its LT SPA is effectively based on its offer price. Alternatively, the swap could be prevented if it would create the possibility of entering into a LT SPA. (though the only existing facilities likely to be in the auction are old ones considering decommissioning). |

|       |   |            |   |                 |  |
|-------|---|------------|---|-----------------|--|
| IR 21 | L |            | 4 | 4.21.1 & 4.22.6 | <p>A related issue (to IR 20) is that there is a scenario where a facility involved in a manual swap in the auction process may theoretically be subject to BOTH a short term and a long term special price arrangement simultaneously. Rules are needed allowing the IMO to specify a single short or long term instrument to achieve the desired result for the first year.</p> <p>Note that 4.21.1(c) states that a ST SPA cannot cover capacity already covered by a LT SPA – this could force a high cost provider to either take an ST SPA for one year and no LT SPA, or to take up LT SPA and accept that cannot fully recover offer costs.</p> <p>Need to modify rules. In 4.21.1(c) for short term and 4.22.6 for long term (which go some way but need to include a condition like 4.22.4(b)). The Network Control Service contracts define reductions related to them, but need to do something on these to be clear.</p>  |
|       | M | 4/04/2008  | 4 | 4.25.2(a)       | Rule refers to verification by observation based on Metered Schedules. Working through this definition, it is a loss adjusted value. To remove doubt, the Rules should be specific and possibly refer to the un-loss adjusted metered schedules, or raw sent-out metered schedules   |
| IR 23 | H | 30/04/2007 | 6 | 6.7.3 & 6.7.4   | <p>A similar approach to that contemplated by these clauses could be adopted by a Market Generator with its own demand. Further this could be used by a Market Generator to maximise output from its generators. In this scenario a Market Generator would overstate its own demand, schedule its generators then in real time consume its true demand and sell the quantity deviation in the balancing market. Further this could be used by a Market Generator to maximise output from its generators. Verve will have to reduce its generation, and will end up paying MCAP for the amount of the reduction. Hence Verve would be most vulnerable to this tactic in periods of high prices – when Market Generators have the most incentives to practice this behaviour.</p> <p>The trouble is that 6.7.3 and 6.7.4 do not forbid this behaviour at the most convenient point to practice it: the resource plan. 6.7.3 says that inflation of bilateral quantities is not allowed, and 6.7.4 says that inflation through the NCP is not permitted. Adding own demand at the resource plan level would not fall under either clause.</p> |
|       | M | 18/12/2007 | 6 | 6.11            | Is the IMO breaching 6.5.2 if it rejects a submission with a negative shortfall. The intention, based on the use of the word "shortfall", seems to be that the quantity must be positive. This will require analysis for Rules impact, as there is nothing stopping a generator being the recipient of a large bilateral contract and ending up with an excess relative to their net contract position.  |
| IR 25 | M | 15/04/2008 | 6 | 6.11.2          | Add a new clause or modify 6.11.2 to say that a Resource Plan of 0 when undergoing a Commissioning Test is not to be considered a Resource Plan Submission for the Facility under clause 6.11.2  |

|              |   |            |               |                                |   |
|--------------|---|------------|---------------|--------------------------------|---|
| <b>IR 26</b> | L |            | 7             | 7:30 AM<br>SM load<br>forecast | This is currently load to be met by scheduled generators - it has been suggested to change it to total load.  |
| <b>IR 27</b> | M |            | 9             |                                | The market rules allow for a settlement adjustment process every three months for the settlement statements issued over the preceding 12 months. The adjustment process facilitates corrections to settlement statements to take into account actions arising from a Notice of Disagreement. This may not be sufficient if an error is identified that goes back for more than 12 months, or if no Notice has been issued but the IMO wishes to make a correction. The IMO might wish to give consideration to a rule change to allow the IMO to make adjustments to correct errors which come to light within a certain period otherwise than as a result of a dispute initiated by a market participant |
| <b>IR 28</b> | L |            | Appendix      | Connection<br>point load       | An aggregate level is required to be entered for non-registered load. The rules talk, however, about each point.  |
| <b>IR 29</b> | M |            | Appendix<br>2 | Appendix 2                     | Embedded generators are currently charged based on meter data at their interface with the system. However, this may not be equitable or reflective of the true cost on the market in certain circumstances.   |
| <b>IR 30</b> | M |            | Appendix      | IRCR and<br>notional<br>meter  | Change the rules to clarify that all meters, including the notional meter, used for the IRCR calculations are not loss adjusted.  |
| <b>IR 32</b> | M |            | 6             |                                | Market Rules potentially creating inequalities in treatment of participants who are sole generators and those who can submit their own demand levels (and so can understate demand and then play the market to buy at a cheaper price out of STEM). Also can potentially hide outages - and therefore avoid paying back capacity credits.   |
| <b>IR 33</b> | L | 24/02/2009 | 4             | 4.13.9                         | This rule only refers to CRC however Reserve Capacity Security may be invalid once a facility has CC and not CRC (under 4.13.3 or 4.13.4) and therefore there is no reason they need to give the IMO any new Security.  |
| <b>IR 35</b> | M | 24/03/2009 | 6 & 7         | 6.12.1.(a)<br>and 7.5.1        | There is an inconsistency with timing between these clauses for Dispatch Merit Order.   |
| <b>IR 36</b> | L | 26/03/2009 | 6             | 6.20.9                         | There is currently uncertainty in the MR 6.20.9 which says that we need to publish draft reports and advertise in the paper every time we revise an Energy Price Limit. This should be referring to the annual review of Energy Price Limits but in reading the Rule it isn't specific which means that this Rule could/should apply every month when we recalculate (revise?) the Alternative Maximum STEM Price.  |

|       |   |           |   |        |   |
|-------|---|-----------|---|--------|---|
| IR 37 | M | 9/04/2009 | 6 | 6.17.9 | <p>MR 6.17.9. sets out the rules for how the IMO determines Facility Dispatch Tolerance for each Scheduled Gen and Dispatchable Load. This is equal to the lesser of:</p> <ul style="list-style-type: none"> <li>(a) 3 MWh; and</li> <li>(b) the greater of: <ul style="list-style-type: none"> <li>i. 0.5 MWh; and</li> <li>ii. 3% of the Facility's: <ul style="list-style-type: none"> <li>1. sent out capacity in the case of a Scheduled Generator; or</li> <li>2. nominated maximum consumption quantity in the case of a Dispatchable Load, as set out in Standing Data.</li> </ul> </li> </ul> </li> </ul> <p>This may need a rule change to clarify converting the MW in sent out capacity to MWh.</p> |
|       |   |           |   |        |   |