



**Independent Market Operator**

**Final Rule Change Report:  
Provision of Load Following  
Ancillary Service**

**Ref: RC\_2009\_40**

**Date: 14 April 2010**

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## DOCUMENT DETAILS

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### Independent Market Operator

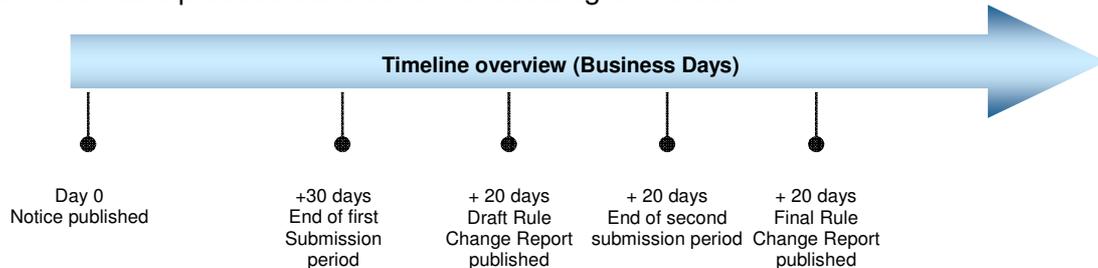
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## 1. INTRODUCTION

On 12 November 2009, System Management submitted a Rule Change Proposal regarding the amendment of clause 3.9.1 of the Wholesale Electricity Market Rules (Market Rules).

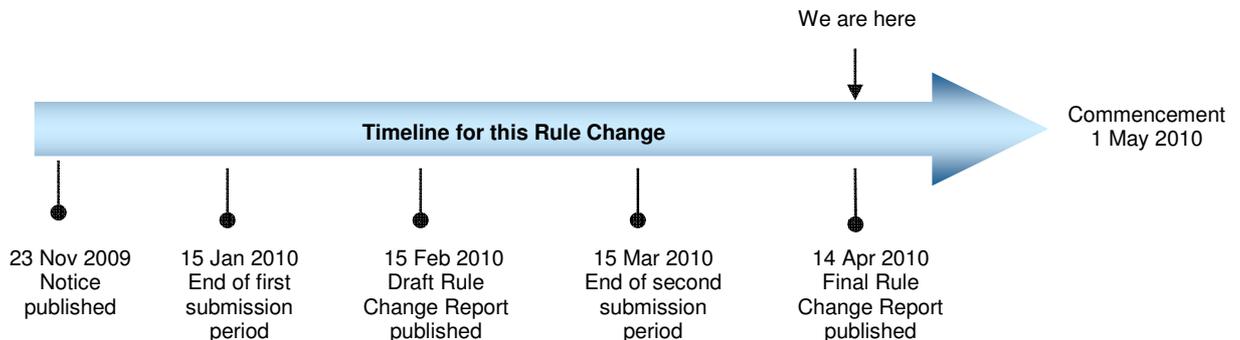
This proposal is being processed using the Standard Rule Change Process, described in section 2.7 of the Market Rules.

The standard process adheres to the following timelines:



As allowed by clause 2.5.10 of the Market Rules, the Independent Market Operator (IMO) decided to extend the first submission period to allow for the Christmas break. A notice of this extension was published on the IMO website on 23 November 2009. This was in accordance with clause 2.5.12.

The key dates in processing this Rule Change Proposal, as amended in the extension notices, are:



The IMO's final decision is to accept the Rule Change Proposal. The detailed reasons for the IMO's decision are set out in section 7 of this report.

In making its final decision on the Rule Change Proposal, the IMO has taken into account:

- the Wholesale Market Objectives;
- the practicality and cost of implementing the proposal;
- the views of the Market Advisory Committee (MAC); and
- the submissions received.

All documents related to this Rule Change Proposal can be found on the IMO website: [http://www.imowa.com.au/RC\\_2009\\_40](http://www.imowa.com.au/RC_2009_40)

## 2. THE RULE CHANGE PROPOSAL

### 2.1 Submission Details

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<b>Date submitted:</b>	12 November 2009
<b>Urgency:</b>	Standard Rule Change Process
<b>Change Proposal title:</b>	Provision of Load Following Ancillary Service
<b>Market Rule(s) affected:</b>	Clause 3.9.1

### 2.2 Summary Details of the Proposal

#### Background

System Management's Rule Change Proposal noted that the Market Rules, as they are currently written, only allow for Scheduled Generators to provide Load Following Ancillary Services. This threshold requirement effectively functions to prevent a Load or Non Scheduled Generator from satisfying the requirements of a provider of a Load Following Service, and therefore precludes an offer to provide Load Following Ancillary Service in any procurement process initiated under the Market Rules.

System Management's Rule Change Proposal aimed to limit any impediments which may operate to preclude potential providers from participating in the inaugural Load Following Ancillary Service procurement process<sup>1</sup>.

System Management contended that, in theory, Load Following Ancillary Service can be provided either by a Scheduled Generator, Non-Scheduled Generator, a Dispatchable Load or a Curtailable Load, and hence all should be able to be considered in the procurement process. System Management also noted that the second draft report of the Ancillary Service review performed by Sinclair Knight Merz ([http://www.imowa.com.au/2009\\_AS\\_study](http://www.imowa.com.au/2009_AS_study)) recommended that loads be allowed to provide Load Following.

#### Proposal

System Management proposed that clause 3.9.1 of the Market Rules be broadened to allow Non-Scheduled Generators and Loads to provide Load Following Ancillary Service.

### 2.3 The Proposal and the Wholesale Market Objectives

In its proposal System Management noted that it considered that the proposed changes would better address Market Objectives (a), (b), (c) and (e).

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[http://www.westernpower.com.au/mainContent/workingWithPower/systemManagement/Load\\_following\\_ancillary\\_services\\_.html?word=load%20following](http://www.westernpower.com.au/mainContent/workingWithPower/systemManagement/Load_following_ancillary_services_.html?word=load%20following)

System Management contended that the Rule Change Proposal broadens the potential range of participants who may provide Load Following Ancillary Service, thereby increasing competition, avoiding discrimination against particular energy options and encouraging measures to manage the amount of electricity used.

#### **2.4 The Amending Rules Proposed by System Management**

The amendments to the Market Rules originally proposed by System Management are outlined in section 9.2 of this report.

#### **2.5 The IMO's Initial Assessment of the Proposal**

The IMO decided to proceed with the proposal on the basis of its preliminary assessment, which indicated that the proposal was consistent with the Wholesale Market Objectives.

The IMO's assessment of the Rule Change Proposal against the Wholesale Market Objectives was published in the Rule Change Notice on 20 November 2009.

### **3. FIRST SUBMISSION PERIOD**

The first submission period for this Rule Change Proposal was between 23 November 2009 and 15 January 2010.

#### **3.1 Submissions received**

The IMO received submissions from Landfill Gas & Power (LGP), Perth Energy, and Synergy. The details of the submissions are summarised below, with the full text available on the IMO website.

##### **3.1.1 Submission from Landfill Gas & Power**

LGP supported the proposal on the grounds that it will increase competition, avoid discrimination against particular energy options and encourage measures to manage the amount of electricity used (therefore advancing Wholesale Market Objectives (b), (c) and (e)). LGP considers that this change will facilitate the implementation of climate change mitigation strategies.

##### **3.1.2 Submission from Perth Energy**

Perth Energy considered that Ancillary Services should be procured on a competitive basis whenever possible, and therefore supported the proposal as it would increase the potential pool of service providers of Load Following Service.

Perth Energy considered that the Rule Change Proposal will advance Wholesale Market Objectives (a), (b), (c) and (d). Perth Energy does not consider that the Rule Change Proposal impacts on the achievement of Wholesale Market Objective (e).

##### **3.1.3 Submission from Synergy**

Synergy supports the Rule Change Proposal and considers that the change will be consistent with all of the Wholesale Market Objectives.

### **3.2 The IMO's assessment of First Submission period responses**

The submissions received during the first submission period supported the Rule Change Proposal.

Details of the IMO's assessment are contained in the Draft Rule Change Report.

### **3.3 Public Forums and Workshops**

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

## **4. THE IMO'S DRAFT ASSESSMENT**

The IMO's draft assessment, against clauses 2.4.2 and 2.4.3 of the Market Rules, and analysis of the Rule Change Proposal can be viewed in the Draft Rule Change Report (available on the IMO's website).

## **5. THE IMO'S DRAFT DECISION**

Based on the matters set out in this report, the IMO's draft decision, in accordance with clause 2.7.7(f), was to accept the Rule Change Proposal.

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

- was supported by the submissions received, and by the MAC; and
- will advance all of the Wholesale Market Objectives.

## **6. SECOND SUBMISSION PERIOD**

Following the publication of the Draft Rule Change Report on the IMO website, the second submission period was between 15 February 2010 and 15 March 2010.

### **6.1 Submissions received**

The IMO received submissions from LGP and Synergy. These submissions are summarised below with the full submissions available on the IMO website.

#### **6.1.1 Submission from Landfill Gas & Power**

LGP notes that it supported the Rule Change Proposal in the first submission period and that no further substantive issues have been expressed. LGP therefore supports the IMO's decision to accept the Rule Change Proposal.

#### **6.1.2 Submission from Synergy**

Synergy supports the proposal to amend the Market Rules as outlined in the Draft Rule Change Report to allow for the provision of Load Following Service by Non-Scheduled Generators and Loads in addition to Scheduled Generators.

### **6.2 The IMO's assessment of the Second Submission period responses**

The IMO received two submissions during the second submission period. These were both in favour of the Rule Change Proposal.

## 7. THE IMO'S FINAL ASSESSMENT

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

Clause 2.4.2 outlines that the IMO “*must not make Amending Rules unless it is satisfied that the Market Rules, as proposed to be amended or replaced, are consistent with the Wholesale Market Objectives*”.

Additionally, clause 2.4.3 states, when deciding whether to make Amending Rules, the IMO must have regard to the following:

- Any applicable policy direction from the Minister regarding the development of the market;
- The practicality and cost of implementing the proposal;
- The views expressed in submissions and by the MAC; and
- Any technical studies that the IMO considers necessary to assist in assessing the Rule Change Proposal.

The IMO notes that there has not been any applicable policy direction from the Minister in respect of this Rule Change nor has it commissioned a technical review in respect of this Rule Change Proposal.

The IMO's assessment is outlined in the following sections.

### 7.1 Market Objectives

The IMO considers that the Market Rules, if amended according to this Rule Change Proposal, will not only be consistent with all the Wholesale Market Objectives but also allow the Market Rules to better address the Wholesale Market Objectives.

Wholesale Market Objective	Consistent with objective
(a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system	Yes
(b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors	Yes
(c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions	Yes
(d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system	Yes
(e) to encourage the taking of measures to manage the amount of electricity used and when it is used	Yes

## **7.2 Practicality and cost of implementation**

The proposed changes do not require any change to the Wholesale Electricity Market Systems operated by the IMO, nor to any of the systems operated by System Management.

## **7.3 Views expressed in submissions**

The submissions received during both the first and second submission periods supported the Rule Change Proposal.

## **7.4 Views expressed by the Market Advisory Committee**

The MAC discussed the proposal at both the 11 November 2009 and 10 February 2009 meetings. An overview of the MAC discussions is presented below. Further details are available in the MAC meeting minutes available on the IMO website: <http://www.imowa.com.au/MAC>

### **November 2009 MAC Meeting**

System Management first presented its proposal at the 11 November 2009 meeting. The following points were noted:

- the IMO noted that Demand-Side Management is used to provide Load Following Service in New Zealand, and that the Sinclair Knight Merz report<sup>2</sup> into Ancillary Services recommended that a watching brief be maintained on technological developments in this area;
- System Management stated that its purpose is to ensure that no artificial barriers exist to prevent participants from bidding for the provision of Ancillary Services, and that the technical requirements facing any bidder would be the same regardless of the type of facility used to provide the service; and
- the MAC agreed to proceed with the proposal.

### **February 2009 MAC Meeting**

The MAC noted the Rule Change Proposal at the 10 February 2009 meeting.

## **8. THE IMO'S FINAL DECISION**

Based on the matters set out in this report, the IMO's final decision, in accordance with clause 2.7.8 (e), is to accept the Rule Change Proposal.

### **8.1 Reasons for the Decision**

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

- are consistent with the Wholesale Market Objectives;
- were supported by the MAC; and

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<sup>2</sup> Available at <http://www.imowa.com.au/n685.html>

- had the support of all submissions received in both the first and the second submission periods.

Additional detail outlining the analysis behind the IMO's decision is outlined in section 7 of this Final Rule Change Report.

## **9. AMENDING RULES**

### **9.1 Commencement**

The amendments to the Market Rules resulting from this Rule Change Proposal will commence at **8.00am** on **1 May 2010**.

### **9.2 Amending Rules**

The IMO's final decision is to amend the Market Rules. The following clause was amended (~~deleted wording~~, new wording):

- 3.9.1 Load Following Service is the service of frequently adjusting:
- (a) the output of one or more Scheduled Generators;
  - (b) the output of one or more Non-Scheduled Generators; or
  - (c) the consumption of one or more Loads within a Trading Interval so as to match total system generation with total system load in real time in order to correct any SWIS frequency variations.