



INDEPENDENT  
MARKET  
OPERATOR

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## Final Rule Change Report

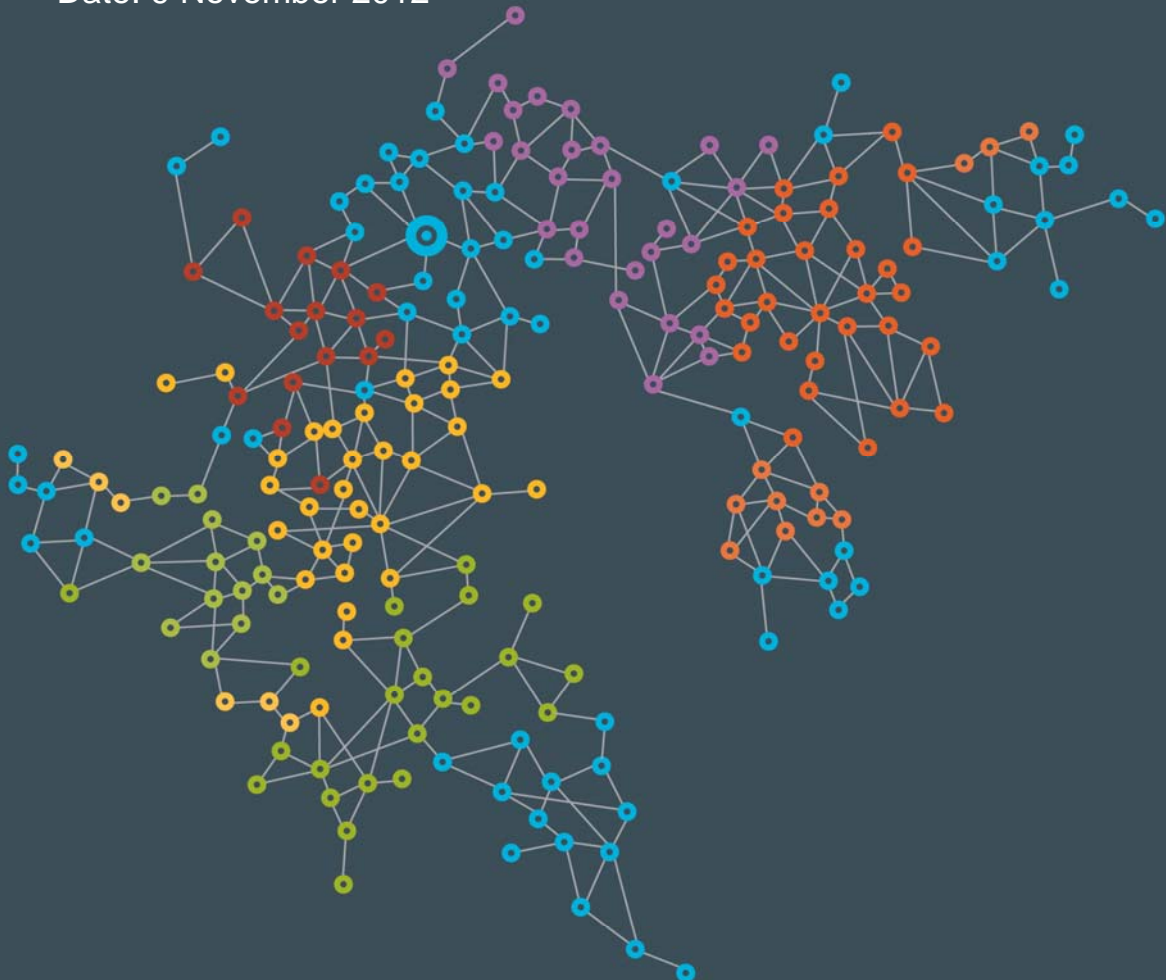
Title: Four month Commissioning Test Period for new generating systems

RC\_2012\_15

Fast Track Rule Change Process

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Date: 9 November 2012



## TABLE OF CONTENTS

<b>1. Rule Change Process and Timetable</b>	<b>4</b>
<b>2. Proposed Amendments</b>	<b>4</b>
2.1. <i>The Rule Change Proposal</i>	4
2.2. <i>The IMO's Initial Assessment of the Proposal</i>	4
<b>3. Consultation</b>	<b>5</b>
3.1. <i>The Market Advisory Committee</i>	5
3.2. <i>Submissions received during the consultation period</i>	5
3.3. <i>The IMO's response to submissions received during the consultation period</i>	6
3.4. <i>Public Forums and Workshops</i>	6
<b>No public forum or workshop was held in regard to this Rule Change Proposal</b>	<b>6</b>
<b>4. The IMO's Final Assessment</b>	<b>6</b>
4.1. <i>Wholesale Market Objectives</i>	7
4.2. <i>Practicality and Cost of Implementation</i>	8
<b>5. The IMO (Board's) Decision</b>	<b>8</b>
5.1. <i>Reasons for the IMO Board's Decision</i>	8
<b>6. Amending Rules</b>	<b>8</b>
6.1. <i>Commencement</i>	8
6.2. <i>Amending Rules</i>	8

## Executive Summary

### ***Proposed Amendments***

This Rule Change Proposal seeks to remove the four month limit on Commissioning Test Periods for new generating systems from the Wholesale Electricity Market Rules (Market Rules).

Since the implementation of the new Balancing Market, all generating systems undertaking commissioning activities must do so under an approved Commissioning Test. The removal of the ability for a new generating system to commission directly in the energy market means that after the four month commissioning period a Facility that still needs to undertake any commissioning activities will be unable to do so. A Market Participant in this situation will be exposed to the potential application of civil penalties if it undertakes commissioning activities without having an approved Commissioning Test.

The IMO considers the retention of the four month restriction is a manifest error in the Market Rules, as it leaves new generating systems without a mechanism to finish their required commissioning activities and enter the market after the four month Commissioning Test window has lapsed.

### ***Consultation***

The proposal was discussed at the Market Advisory Committee (MAC) meeting on 12 September 2012. MAC members agreed with the submission of the proposal into the formal rule change process.

The Rule Change Proposal was submitted on 2 October 2012 and the consultation period was held between 9 October 2012 and 26 October 2012. Community Electricity, Perth Energy, Synergy, System Management and Verve Energy made submissions supporting the proposal.

### ***Assessment against Wholesale Market Objectives***

The IMO has found that the proposed amendments better achieve Wholesale Market Objective (a) and are consistent with the remaining Wholesale Market Objectives.

### ***Practicality and Cost of Implementation***

No material costs were identified with this rule change. System Management noted that changes to the Commissioning and Testing Power System Operation Procedure (PSOP) and to some internal processes may be required. To accommodate these changes the IMO proposes to delay the commencement of the Amending Rules until 1 March 2013.

### ***The IMO's Decision***

The IMO's decision is to accept the Rule Change Proposal as modified following the consultation period.

### ***Next steps***

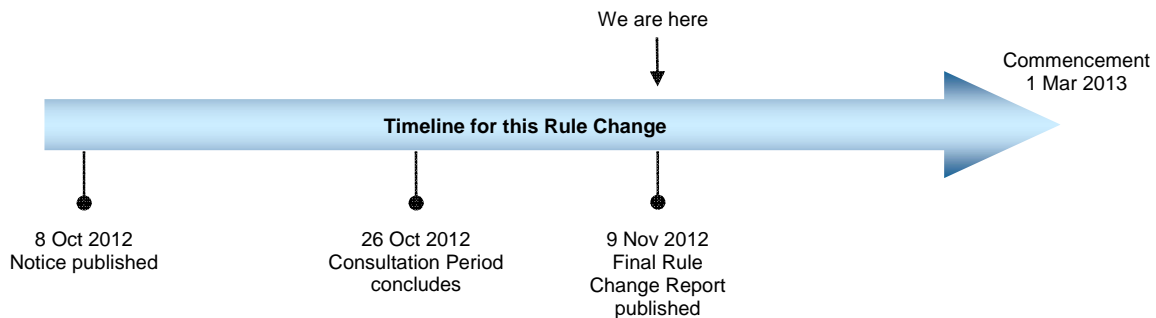
The Amending Rules will provisionally commence at **8.00 AM** on **1 March 2013**.

## 1. Rule Change Process and Timetable

On 2 October 2012 the IMO submitted a Rule Change Proposal regarding amendments to clause 3.21A.7 of the Wholesale Electricity Market Rules (Market Rules).

This proposal is being processed using the Fast Track 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 the preparation of the Final Rule Change Report. Further details of the extension are available on the Market Web Site.

The key dates in processing this Rule Change Proposal, as amended in the Extension Notice, are:



## 2. Proposed Amendments

### 2.1. The Rule Change Proposal

Since the implementation of the Rule Change Proposal: Competitive Balancing and Load Following Market (RC\_2011\_10), all generating systems undertaking commissioning activities must do so under an approved Commissioning Test. The removal under the new Balancing Market of the ability for a new generating system to make a commercial decision to commission directly in the energy market means that after the four month commissioning period a Facility that still needs to undertake any commissioning activities will be unable to do so. A Market Participant in this situation will be exposed to the potential application of civil penalties if it undertakes commissioning activities without having an approved Commissioning Test.

The IMO's proposed amendment is to remove the current restriction of four months on Commissioning Test Periods for new generating systems under clause 3.21A7(c). This will enable new generating systems to undertake Commissioning Tests for as long as required provided System Management can accommodate the activities.

For full details of the Rule Change Proposal please refer to the Market Web Site: [http://www.imowa.com.au/RC\\_2012\\_15](http://www.imowa.com.au/RC_2012_15).

### 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 proposed amendments as part of the rule change

process.

The IMO decided to process 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 criteria in clause 2.5.9(b) of the Market Rules.

The IMO considered that the inability of a new commissioning generator to complete its Commissioning Tests (which may include tests required under the Technical Rules) without being potentially liable for civil penalties if its Commissioning Test Period exceeds four months (as restricted under clause 3.21A.7(c)) is a manifest error. The Rule Change Proposal satisfies clause 2.5.9(b) and therefore may be subject to the Fast Track Rule Change Process. The IMO acknowledges that through a clerical oversight the proposal was not presented to the MAC as a candidate for fast tracking.

### **3. Consultation**

#### **3.1. The Market Advisory Committee**

The Pre Rule Change Proposal was discussed by the Market Advisory Committee (MAC) during its 12 September 2012 meeting.

Mr George Sproule provided MAC members with an overview of the proposal. In response to a query from Mr Stephen MacLean, Ms Fiona Edmonds clarified that the original four month window for new generating systems had been implemented to restrict the timeframe under which late commissioning generators would be exempt from Upwards Deviation Administered Price (UDAP) and Downward Deviation Administered Price (DDAP) payments. The MAC agreed for the IMO to progress PRC\_2012\_15 into the formal rule change process.

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 9 October 2012 and 26 October 2012.

Verve Energy and System Management requested to be consulted on this Rule Change Proposal and provided submissions to the IMO. The IMO also received out of session submissions from Perth Energy, Synergy and Community Energy. All submitters supported the Rule Change Proposal. Two participants noted that the fast tracking of the proposal had not been discussed at MAC and the proposal referred to the Standard Rule Change Process, and questioned whether it should be fast tracked. Verve Energy suggested a minor typographical improvement, which has been adopted.

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

Submitter	Wholesale Market Objective Assessment
Community Electricity	Supports Wholesale Market Objective (a) and is consistent with the other objectives.
Perth Energy	Would positively impact on the achievement of Wholesale Market Objectives (a) and (d). No impacts identified on the other Wholesale Market Objectives.
Synergy	Not provided.
System Management	Better addresses Wholesale Market Objectives (a), (b) and (d), and does not impact on the operation of Wholesale Market Objectives (c) and (e).
Verve Energy	Consistent with the Wholesale Market Objectives.

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\\_15](http://www.imowa.com.au/RC_2012_15).

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

The IMO's responses to each of the issues identified 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 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. Additional amendments to the proposed Amending Rules**

The proposed amendments in the Rule Change Proposal were shown against the version of clause 3.21A.7 proposed in the Rule Change Proposal: Updates to Commissioning Test Plans (RC\_2012\_12). However, as the IMO is yet to make a final decision on RC\_2012\_12, it considers that the proposed Amending Rules should be presented using the current drafting of this clause as a base. The IMO notes that this has no impact on the effect of the proposed change.

In its submission on the Rule Change Proposal, Verve Energy considered that the IMO should mark the deleted clause 3.21A.7(c) as "Blank" in order to retain the history of the clause. Although at this stage there is no clause 3.21A.7(d) in the Market Rules the IMO agrees that to avoid any future confusion the proposed Amending Rules should not delete clause 3.21A.7(c) in its entirety.

The additional amendments, shown against the current version of clause 3.21A.7 as amended by the original proposal, are as follows (~~deleted text~~, added text):

3.21A.7. System Management must accept a request for a Commissioning Test unless:

- (a) in its opinion inadequate information is provided in the request; or
- (b) in its opinion the conduct of the test at the proposed time would pose a threat to Power System Security or Power System Reliability; ~~or,~~
- (c) [Blank]

#### **4.2. Wholesale Market Objectives**

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

In particular, the IMO considers that by removing the restricted timeframe for Facilities undertaking Commissioning Tests under the new Balancing Market arrangements (where Facilities may not undertake commissioning activities without having an approved Commissioning Test Plan) the safety and reliability of the production of electricity by new generating systems will be promoted. Facilities will be able to ensure all relevant commissioning activities (including those required under the Technical Rules) can be completed under an approved Commissioning Test Plan. This will remove the risk that such Facilities either:

- complete their commissioning activities without System Management's advanced knowledge and approval (noting that civil penalties would potentially be incurred); or
- would not be available for dispatch if they have not completed the necessary commissioning activities required under the Technical Rules to obtain network access, thereby creating an "under-supply of dispatchable capacity" situation.

Further, the IMO considers that the proposed amendments correct a manifest error in the Market Rules.

### 4.3. Practicality and Cost of Implementation

**Cost:** No material costs were identified with this rule change. System Management noted that changes to the Commissioning and Testing Power System Operation Procedure (PSOP) and to some internal processes may be required.

**Practicality:** System Management envisaged that the possible changes to the Commissioning and Testing PSOP and to its internal processes could be accommodated up to six months from release of the Final Rule Change Report. However, the IMO considers that such changes are not substantive and can be accommodated by 1 March 2013. The IMO therefore proposes to delay the commencement of the Amending Rules until 1 March 2013.

## 5. The IMO's Decision

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

### 5.1. Reasons for the IMO's Decision

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

- will allow the Market Rules to better achieve Wholesale Market Objective (a);
- are consistent with the other Wholesale Market Objectives;
- have the support of the MAC; and
- have the support of the 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 March 2013**.

### 6.2. Amending Rules

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

3.21A.7. System Management must accept a request for a Commissioning Test unless:

- (a) in its opinion inadequate information is provided in the request; or
- (b) in its opinion the conduct of the test at the proposed time would pose a threat to Power System Security or Power System Reliability; ~~or~~



- (c) ~~[Blank] in the case of a new generating system that is yet to commence operation, the proposed Commissioning Test Period is greater than four months.~~

## Appendix 1. Responses to Submissions received during the consultation period

	Submitter	Comment/Change requested	IMO Response
1	System Management	On the other hand, the elimination of the four month restriction removes the incentive for Market Participants to commission their new generating system in a timely manner. Effectively there will be no mechanism to prevent Market Participants in these circumstances from unnecessarily extending their commissioning. This could impose an operational burden on System Management and impose reliability risks to consumers.	<p>The IMO does not view this as an issue because a new generator has strong financial incentives to complete its Commissioning Tests in a timely manner regardless of whether or not the four month limit exists. This is because a new generator faces a number of disadvantages and potential costs by delaying its commissioning. These include:</p> <ul style="list-style-type: none"> <li>• the requirement to offer at the negative price cap into the Balancing Market rather than choose the price it offers to the market;</li> <li>• liability for Capacity Cost Refunds if commissioning activities extend beyond 1 October; and</li> <li>• the risk of losing its Reserve Capacity Security.</li> </ul>
2	System Management	In respect of the IMO's decision to progress this rule change proposal through the Fast Track Rule Change Process, System Management queries the underlying justification that the current market rule discussed in RC_2012_15 is a "manifest error". The application of the term "manifest" in this Rule change proposal appears to extend beyond that of numerous errors which were evident since the commencement of the market which have not been addressed to date. In addition, there was no evidence of a need to progress RC_2012_15 via the Fast Track Rule Change Process in the recent September 2012 MAC meeting.	<p>The IMO initially planned to progress RC_2012_15 as a standard rule change, but after further review a decision was made to use the Fast Track Rule Change Process as the proposal satisfied the criterion specified in clause 2.5.9(b) of the Market Rules. The IMO's reasons for its decision are outlined in the Rule Change Notice and section 2.2 of this Final Rule Change Report.</p> <p>The IMO acknowledges that through a clerical oversight the proposal was not presented to the MAC as a candidate for fast tracking. However, given the simplicity of the proposal and the unanimous support it received from MAC members the IMO did not consider it necessary to refer the proposal back to the MAC for further discussion prior to its submission into the rule change process.</p>

	Submitter	Comment/Change requested	IMO Response
		Despite this System Management is not materially impacted by the rule change proposal being progressed in accordance with the Fast Track Rule Change process.	
3	Verve Energy	Verve Energy considers that the Independent Market Operator (IMO) should mark the deleted sub-clause 3.21A.7(c) as "Blank" in order to retain the history of this sub-clause. Therefore Verve Energy considers that sub-clause 3.21A.7(d) (as proposed under RC_2012_12) should remain as sub-clause (d). Verve Energy considers that this suggestion is consistent with the IMO's rule numbering convention (as outlined in response to a similar issue in the submissions received during the first submission period for RC_2012_12).	The IMO agrees with Verve Energy's suggestion and has made appropriate amendments to reflect this (please refer to Section 4.1 of this report).
4	Synergy	Notes the discrepancy between the decision to progress the proposal using the Fast Track Rule Change Process and the suggestion to progress the proposal using the standard process in both the Pre Rule Change Proposal presented to the MAC and the final Rule Change Proposal. Synergy notes that no mention was made of fast tracking the proposal at the MAC meeting.	Please refer to the IMO's response to submission 2 above.
4	Synergy	While a case can be made for this	The IMO's decision to progress the proposal using the Fast Track Rule Change

Submitter	Comment/Change requested	IMO Response
	<p>proposed rule change to proceed as a fast track rule change, Synergy agrees with the IMO's expressed intent, as indicated in the PRC_2012_15 document and retained in the formal RC_2012_15 document that it be subjected to the Standard Rule Change Process. Synergy takes the view that it is really of a minor nature and also that to its knowledge that in the near term future there are no new generating systems contemplating commissioning with plant characteristics that would result in an extended commissioning period being required and that therefore it is reasonable and sufficient that the Proposed Rule Change proceed through the Standard Rule Change Process.</p>	<p>Process is based on its assessment that the proposal meets the criteria specified in clause 2.5.9(b) of the Market Rules. Whether the proposal is of a "really of a minor nature" or whether the proposed Amending Rules are likely to have an effect on a new generating system in the near term future have no impact on this assessment. The IMO notes that it routinely progresses minor and typographical rule changes using the Fast Track Rule Change Process.</p>

