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## Wholesale Electricity Market Rule Change Proposal Submission Form

### <RC\_2012\_16 – Alignment of Settlement Tolerances and Tolerance Ranges>

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#### Submitted by

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#### Submission

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#### 1. Please provide your views on the proposal, including any objections or suggested revisions.

System Management welcomes this opportunity to provide a submission on RC\_2012\_16 – Alignment of Settlement Tolerances and Tolerance Ranges.

System Management supports the intent of Fast Track RC\_2012\_16 to remove the potential inconsistent outcomes that could occur under the current Settlement Tolerance regime in relation to Constrained On and Constrained Off Compensation.

#### **RULE CHANGE PROCESS**

This Rule Change Proposal specifies that RC\_2012\_16 is being progressed as a Fast Track as it meets criteria 2.5.9(b) – required to correct a manifest error.

System Management recognises that in certain circumstances issues in the *Wholesale Electricity Market Rules* (the Rules) require urgent correction and that the decision to Fast Track or otherwise is at the IMO's discretion.

However, the Standard Rule Change process is designed to ensure adequate consultation and allow changes to be made with further opportunity for consultation on amendments at

the final submission stage. System Management considers that at the final report stage incremental changes to drafting only should be the norm rather than any material changes.

The Fast Track Rule Change process does not provide this same level of consultation and is more suited to narrowly scoped matters requiring minor drafting changes.

With this in mind, System Management submits the following.

### **DISPATCH TOLERANCES**

System Management may determine a Tolerance Range to apply to all Facilities (MR 2.13.6D), and a specific Facility Tolerance Range (MR 2.13.6E) for the purpose of System Management's dispatch compliance monitoring and reporting obligations under clauses 7.10.4, 7.10.5 and 7.10.7 of the Rules.

System Management determined the Tolerance Range under clause 2.13.6D to apply to Scheduled Generators from 1 July 2012 as the following formula:

$$\text{Tolerance Range} = (+/-) \text{MAX} (6, \text{MIN} [5\% \text{NPC}, 4 * \text{ROC}])$$

Where:

**NPC:** Name plate capacity of the generator, expressed in MW (Market Rules Appendix 1(b)(ii))

**ROC:** Rate of Change or Ramp Rate of a Unit per minute (Market Rules Appendix 1(b)(v))

The above formula is published on the IMO website as required under clause 2.13.6D.

In effect the setting of tolerances is an annual event subject to annual review under clause 2.13.6G, although currently adjustments are made during the year where a Scheduled Generator changes their Standing Data ramp rate (i.e. change in ROC value). To date, such changes have been infrequent.

Clause 2.13.6K requires System Management to document the procedure for determining and reviewing the Tolerance Range in the Power System Operation Procedure (Monitoring and Reporting PSOP). As part of this Rule requirement, System Management revised the Monitoring and Reporting PSOP to include the Tolerance Range formula through Procedure Change Process PPCL0023. The revised Monitoring and Reporting PSOP commenced on 1 July 2012.

The Tolerance Range formula set out in the Monitoring and Reporting PSOP defines ROC as '*ROC is the currently dispatched ramp rate of a Scheduled Generator in a particular Trading Interval, expressed in MW per minute*'. Applying this ROC definition would result in a dynamic Tolerance Range that potentially changes per interval. This was not intended by System Management and revision of the PSOP will be progressed through the Procedure Change Process to ensure consistency with the Tolerance Range formula published on the IMO website.

The IMO is proposing to use the Tolerance Range set by System Management to determine the Settlement Tolerance for Scheduled Generators and Dispatchable Loads.

## **TOLERANCE DATA TRANSFER REQUIREMENTS - IMS INTERFACE MARKET PROCEDURE**

System Management is of the view that the IMS Interface Market Procedure is an appropriate place for the specification of the Tolerance Range data transfer requirements as referred to in RC\_2012\_16.

However, information concerning the time, form and manner of the data transfer requirements is presently unknown and not contained in the IMS Interface Market Procedure. This information would be required in order for System Management to properly consider system implementation requirements and related costs for a final data transfer solution.

In the interim System Management understands from discussions with the IMO that a manual data transfer is a practical interim solution until such time as complete specifications can be provided through the IMS Interface Market Procedure. As the setting of the Tolerance Range is an annual event the timing of the manual transfer would be on a near annual basis dependant on any adjustments made during the year should a Scheduled Generator change their Standing Data ramp rate (i.e. change in ROC value).

In this regard System Management has already provided the Tolerance Range values for Scheduled Generators to the IMO pursuant to existing rule 2.13.6D and will work with the IMO to review this data prior to the commencement of RC\_2012\_16.

### **IMPLEMENTATION COSTS**

System Management notes that the IMO has released an addendum to RC\_2012\_16 stating that:

*'...the cost estimate for the IMO to undertake necessary IT changes is \$47,000 AUD. This estimate includes the cost of developing a manual Settlement System (\$10 000) to cater for a 1 January 2013 commencement as well as an automated system that will be progressed in the future. The IMO acknowledges that System Management will also incur some IT costs, however, it is anticipated that these costs will be relatively minor'.*

As mentioned earlier, the full cost of any changes required to System Management's IT systems can not been determined until such time as the time, form and manner of the data transfer requirements are specified. .

The final data transfer requirements could vary. Currently the setting of Tolerance Ranges is an annual event (acknowledging that infrequent adjustments are made as Standing Data ramp rate changes occur). In this case the data transfer requirements could be limited to a near annual process.

However, if the Tolerance Range formula specified in the PSOP were applied, tolerances could potentially vary per interval and require a significantly more frequent flow of data from System Management to the IMO. Implementation costs in this latter scenario are likely to be significantly higher.

## OTHER ISSUES

RC\_2012\_16 is being progressed as a Fast Track and this decision may restrict the opportunity to address other issues concerning tolerances. These issues include the following two matters.

### **Ambiguity regarding the application of clause 2.13.6D**

Clause 2.13.6D confers discretion on System Management to calculate tolerances should it choose to do so (i.e. the obligation is a 'may' rather than a 'must'). System Management has exercised this discretion in setting a Tolerance Range for Scheduled Generators.

However, the IMO has previously informed System Management that clause 2.13.6D refers to determining the Tolerance Range to apply to all facilities. System Management is of the view that this is an issue of ambiguity within the Rules.

This ambiguity could be addressed through a Rule amendment to clause 2.13.6D that expressly provides for System Management to determine Tolerance Ranges for classes of Facilities.

System Management notes that addressing this ambiguity would be consistent with the amendments drafted in RC\_2012\_16, which in the context of Settlement Tolerances distinguishes between different classes of Facilities and also recognises that System Management may choose not to determine a Tolerance Range for certain Facilities (e.g. clause 6.17.9 (b) – *'for Facilities for which no applicable Tolerance Range.....has been determined by System Management'*).

### **Reference to Clause 3.21**

Existing clause 2.13.6D also refers to System Management's reporting obligations under clause 2.13.6A, specifically in relation to clause 3.21 (Forced Outages). Clause 2.13.6A refers to System Management's monitoring obligations under clause 2.13.9 of the Rules. Clause 2.13.9 does not impose any obligation on System Management to monitor compliance with clause 3.21. Reference to clause 3.21 should therefore be removed from clause 2.13.6D.

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## **2. Please provide an assessment whether the change will better facilitate the achievement of the Market Objectives.**

System Management confirms its support for the intent of RC\_2012\_16 noting that the purpose of the Rule Change is to address issues relating to commercial outcomes in the Market. System Management's role is to ensure the secure and reliable operation of the power system and in this regard had has not made an assessment as to whether RC\_2012\_16 better facilitates the achievement of the Market Objectives.

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**3. Please indicate if the proposed change will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.**

As mentioned earlier, the full cost of any changes required to System Management's IT systems can not be determined until such time as the time, form and manner of the data transfer requirements are specified.

System Management intends to work with the IMO to clarify the final requirements through a procedure change process for the IMS Interface Market Procedure. In the interim, an annual manual transfer of Tolerance Data should have minimal business implications for System Management.

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**4. Please indicate the time required for your organisation to implement the change, should it be accepted as proposed.**

A manual transfer of Tolerance Data on an annual basis should require minimal implementation time.

System Management notes that final implementation of the proposal as currently drafted would require the IMO to carry out the procedure change process to enable the final data transfer requirements to be specified in the IMS Interface Market Procedure.

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