



INDEPENDENT
MARKET
OPERATOR

Rule Change Notice

Clarification of dispatch compliance obligations (RC_2013_01)

This notice is given under clause 2.5.7 of the Market Rules.

Submitter: Allan Dawson, IMO

Date Submitted: 12 April 2013

The Proposal

Several unintended oversights in the drafting of the previous rule changes have resulted in unintended, nonsensical outcomes. Clauses 7.10.6A and 7.10.7 refer to "a request under clause 7.10.5". Prior to the commencement of the Amending Rules for the introduction of the Balancing Market in RC_2011_10 this meant System Management requesting a generator to cease its non-compliant behaviour. This aspect of clause 7.10.5 was removed under the new Balancing Market arrangements, and the only remaining request in the clause is for an explanation of the deviation.

Clauses 7.10.6A and 7.10.7 were not updated to reflect this change, with the result that clause 7.10.6A asks for an explanation of why a Market Participant cannot provide an explanation; and clause 7.10.7 would appear to exempt System Management from telling the IMO about a deviation if the Market Participant has provided an explanation for that deviation.

Further, references to a 'Facility Tolerance Range' was unintentionally omitted from the drafting of clause 7.10.7 such that the current Market Rules require System Management report to the IMO on a breach with regard to the Tolerance Range regardless of whether the facility is subject to a Tolerance Range or Facility Tolerance Range.

This Rule Change Proposal seeks to amend these manifest errors to clarify and align the Market Rules with the intention of the previous rule changes.

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

- the proposed amendments to the Market Rules;
- relevant references to clauses of 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.



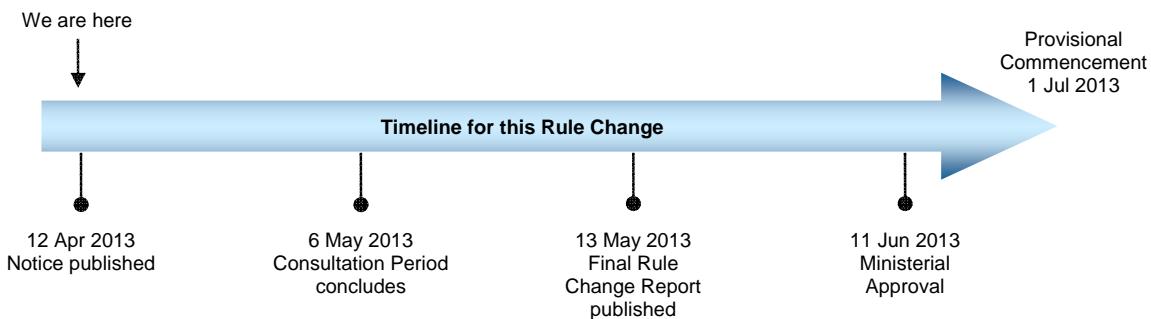
Decision to Progress the Rule Change

The IMO considers that this Rule Change Proposal corrects manifest errors in the Market Rules. The amendments ensure consistency and clarity of the relevant clauses that were introduced due to an oversight in the drafting of previous Rule Change Proposals that now result in nonsensical outcomes. The changes also update redundant references. The changes do not seek to amend the intended operation of the Market Rules.

The IMO considers that this proposal should be progressed using the Fast Track Rule Change Process described in clause 2.6 of the Market Rules, on the grounds that satisfies the criterion in clauses 2.5.9(b) of the Market Rules.

Timeline

The projected timelines for processing this proposal are:



Call for Submissions

Any Rule Participant wishing to be consulted regarding this Rule Change Proposal is invited to notify the IMO within 5 Business Days of this notice being published (**19 April 2013**).

The consultation period is 15 Business Days from the publication date of this Rule Change Notice. Submissions must be delivered to the IMO by **5.00pm on Monday, 6 May 2013**.

The IMO prefers to receive submissions by email (using the submission form available on the Market Web Site: <http://www.imowa.com.au/rule-changes>) to: market.development@imowa.com.au

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

Independent Market Operator

Attn: Group Manager, Development and Capacity
PO Box 7096
Cloisters Square, PERTH, WA 6850
Fax: (08) 9254 4399





INDEPENDENT
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Wholesale Electricity Market Rule Change Proposal

Rule Change Proposal ID: RC_2013_01
Date received: 12 April 2013

Change requested by:

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Organisation:	IMO
Address:	Level 17, 197 St Georges Terrace, Perth WA 6000
Date submitted:	12 April 2013
Urgency:	High – Fast Track Rule Change Process
Change Proposal title:	Clarification of Dispatch Compliance Obligations
Market Rule(s) affected:	Clauses 2.13.9, 7.10.6, 7.10.6A and 7.10.7

Introduction

Market Rule 2.5.1 of the Wholesale Electricity 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 Independent Market Operator.

This Change Proposal can be posted, faxed or emailed to:

Independent Market Operator
Attn: Group Manager, Development and Capacity
PO Box 7096
Cloisters Square, Perth, WA 6850
Fax: (08) 9254 4339
Email: market.development@imowa.com.au

The Independent Market Operator will assess the proposal and, within 5 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 change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the wholesale electricity market objectives.

The objectives of the market 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.
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Details of the Proposed Rule Change

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

Background

Clause 7.10.1 of the Market Rules, which outlines the requirement for a Market Participant to comply with Dispatch Instructions, Operating Instructions and Dispatch Orders, was updated as part of the Rule Change Proposal: Competitive Balancing and Load Following Market (RC_2011_10)¹. Due to an unintentional oversight, clauses 7.10.6, 7.10.6A, and 7.10.7 were not updated to accurately reflect these changes and now result in small manifest errors with nonsensical outcomes.

These manifest errors were presented at the September 2012 Market Advisory Committee (MAC) meeting in a Discussion Paper on Dispatch Tolerance Ranges. The MAC agreed to progress the issue and requested the IMO prepare the Rule Change Proposal and present to a future MAC meeting.

¹ Further details available at: http://www.imowa.com.au/RC_2011_10

Issues

1. Requirement for an explanation for not providing an explanation

In the event of a breach under clause 7.10.1, clause 7.10.5 outlines System Management's obligations and clauses 7.10.6 and 7.10.6A require a Market Participant to comply with System Management's directions following that breach.

Clauses 7.10.6A and 7.10.7 refer to "a request under clause 7.10.5." Prior to the commencement of the Amending Rules for RC_2011_10 this meant that System Management had to request a Market Participant provide both an explanation for the non-compliant deviation and for the Market Participant to cease the non-compliant behaviour. This aspect of clause 7.10.5 was clarified under the new Balancing Market arrangements and the two obligations separated into two clauses (7.10.6A(a) and 7.10.6A(b)).

The oversight in the drafting of Amending Rules in RC_2011_10 now results in clause 7.10.6A(b) requiring a Market Participant to provide an explanation of why it cannot provide an explanation.

2. Reporting on deviations by System Management

Clause 7.10.7 outlines System Management's reporting obligations in the event that a Market Participant does not comply with clause 7.10.5 (following a deviation from an instruction issued under clause 7.10.1).

The drafting of this clause appears to exempt System Management from telling the IMO about a deviation if the Market Participant has provided an explanation for that deviation. The intended outcome was that System Management reports all deviations from instructions (beyond the defined Tolerance Range or Facility Tolerance Range) to the IMO regardless of whether an explanation is provided.

3. References to a Facility Tolerance Range

The use and setting of tolerance levels by System Management was initially formalised in RC_2009_22² and then further clarified and extended to include both Tolerance Ranges and Facility Tolerance Ranges in RC_2011_10.

References to a 'Facility Tolerance Range' were unintentionally omitted from the drafting of clause 7.10.7 such that the current Market Rules now require System Management to report to the IMO deviations from the Tolerance Range set for all Facilities. This does not acknowledge that the Facility in question may be subject to a Facility Tolerance Range.

Proposal

Market Rules amendments

To correct the identified issues the IMO proposes to make the following changes to the drafting of section 7.10 and clause 2.13.9:

² Further details available at: http://www.imowa.com.au/RC_2009_22

- delete the reference to clause 7.10.6 in clause 2.13.9 so that System Management is not required to monitor Rule Participants for the breach of a deleted clause;
- delete clause 7.10.6;
- amend clause 7.10.6A to reflect that if a Market Participant receives a warning and a request for an explanation from System Management under clause 7.10.5(c), then the Market Participant must as soon as practicable provide to System Management an explanation for the deviation;
- modify clause 7.10.7 to reflect that where System Management has issued a warning about a deviation to a Market Participant under clause 7.10.5(c), System Management must report the deviation to the IMO;
- remove from clause 7.10.7 the references to a failure to comply with the “request referred to in clause 7.10.5”; and
- modify clause 7.10.7 to include references to a ‘Facility Tolerance Range’.

Regulation amendments

The IMO notes that Category C civil penalties apply to clauses 7.10.6 and 7.10.6A(a) of the Market Rules. The amendments proposed in this Rule Change Proposal would result in the reference to clause 7.10.6 in the Regulations being made redundant.

The proposed amendments to the Market Rules correct manifest errors. When considering the drafting, the IMO sought to ensure that the intention and incentives provided by the civil penalties in the Regulations remain unchanged.

The penalty under clause 7.10.6 refers to the Market Participant’s non-compliance with request from System Management under clause 7.10.5. This refers to the provision of an explanation for the deviation from a Dispatch Instruction or Operating Instruction and in relation to a new Dispatch Instruction, Operating Instruction or Dispatch Order issued following the deviation.

The redrafting of 7.10.6A ensures that the intention of the civil penalty in relation to providing an explanation following a deviation is retained. The penalty under clause 7.10.6A(a) currently results in a civil penalty applying when a Market Participant does not provide an explanation for why it didn’t provide an explanation. The proposed drafting requires only an explanation for the deviation. Failure to provide this explanation would still attract a civil penalty.

Notes the new Dispatch Instructions, Operating Instructions or Dispatch Orders issued following the deviation are already covered by civil penalty by virtue of the link to clause 7.6 and subsequently the requirement in 7.10.1 to comply with ‘the most recently issued’ instructions.

The IMO does not consider that the proposed amendments change the intention or the incentives provided by the civil penalties in the Regulations and will work with the Public Utilities Office regarding the required update to the Regulations.

2. Explain the reason for the degree of urgency:

Clause 2.5.9 states:

The IMO may subject a Rule Change Proposal to the Fast Track Rule Change Process if, in its opinion, the Rule Change Proposal:

- a. *is of a minor or procedural nature; or*
- b. *is required to correct a manifest error; or*
- c. *is urgently required and is essential for the safe, effective and reliable operation of the market or the SWIS.*

The IMO submits that this Rule Change Proposal should be fast tracked, on the basis that it satisfies the criterion in clause 2.5.9(b) of the Market Rules.

The necessary amendments to clauses 7.10.6, 7.10.6A and 7.10.7 were unintentionally overlooked at the time of the introduction of the new Balancing Market in RC_2011_10 and the subsequent results were not intended. The amendments in this Rule Change Proposal will align the Market Rules with the outcomes intended in the previous Rule Change Proposal.

3. Provide any proposed specific changes to particular Rules: *(for clarity, please use the current wording of the Rules and place a ~~strikethrough~~ where words are deleted and underline words added)*

- 2.13.9. System Management must monitor Rule Participants for breaches of the following clauses:
- (a) [Blank]
 - (b) clauses 3.4.6 and 3.4.8;
 - (c) clauses 3.5.8 and 3.5.10;
 - (d) clauses 3.6.5 and 3.6.6B;
 - (e) clauses 3.16.4, 3.16.7, and 3.16.8A;
 - (f) clauses 3.17.5 and 3.17.6;
 - (g) clause 3.18.2(f);
 - (gA) clauses 3.21A.2, 3.21A.12, and 3.21A.13(a);
 - (gB) clauses 3.21B.1 and 3.21B.2;
 - (h) clause 4.10.2, where System Management is instructed by the IMO under clause 4.25.13;
 - (hA) clause 7.2.5;

- (hB) clause 7.5.5;
 - (i) clause 7.7.6(b);
 - (j) clauses 7.10.1, 7.10.3, 7.10.6 and 7.10.6A; and
 - (k) clause 7.11.7.
- 7.10.6. A Market Participant must comply with a request under clause 7.10.5. [Blank]
- 7.10.6A. If a Market Participant receives a warning and a request for an explanation from System Management under clause 7.10.5(c), the Market Participant must as soon as practicable: A Market Participant that cannot comply with a request under clause 7.10.5 must notify System Management as soon as practicable and must:
- (a) provide to System Management an explanation for the deviation include an explanation in that notification; and
 - (b) ensure it has complied with the requirements of clause 7A.2 in relation to the Market Participant's Balancing Submission.
- 7.10.7. Where System Management has issued a warning about a deviation to a Market Participant under clause 7.10.5(c) regarding a failure to comply with clause 7.10.1, the request referred to in clause 7.10.5, System Management:
- (a) unless the deviation is within the applicable Tolerance Range or Facility Tolerance Range, must, in the time, form and manner prescribed in the IMS Interface Market Procedure, report the failure to comply with the request referred to in clause 7.10.5, deviation to the IMO. System Management must include in the report:
 - i. the circumstances of the failure to comply with clause 7.10.1 and the request referred to in clause 7.10.5;
 - ii. any explanation provided by the Market Participant in accordance with clause 7.10.6A(a);
 - iii. whether System Management issued instructions to the Registered Facilities of Verve Energy or Registered Facilities covered by any Ancillary Service Contract or issued Dispatch Instructions or Operating Instructions to other Registered Facilities as a result of the failure; and
 - iv. an assessment of whether the failure threatened Power System Security or Power System Reliability; and
 - (b) if the deviation is within the applicable Tolerance Range or Facility Tolerance Range, may provide a report to the IMO containing the same information as specified in clause 7.10.7(a).

4. Describe how the proposed Market Rule change would allow the Market Rules to better address the Wholesale Market Objectives:

The IMO considers that the proposed amendments correct a manifest error in the Market Rules and are consistent with the Wholesale Market Objectives.

The amendments will also improve the integrity and clarity of the Market Rules.

5. Provide any identifiable costs and benefits of the change:

Costs:

No costs associated with implementing these proposed changes have been identified.

IMO also considers that there should be no operational impacts as System Management already identifies and reports all relevant deviations (beyond Tolerance Ranges and Facility Tolerance Ranges as applicable) to the IMO regardless of whether or not an explanation for the deviation is provided.

Benefits:

- Correction of manifest errors in the Market Rules.
- Clarification of clauses that currently result in nonsensical outcomes.