
**Wholesale Electricity Market
Rule Change Proposal Submission Form**

RC_2013_01 Clarification of Dispatch Compliance Obligation

Submitted by

Name:	Ky Cao
Phone:	08 9420 0300
Fax:	08 9474 9900
Email:	k.cao@perthenergy.com.au
Organisation:	Perth Energy
Address:	Level 4, 165 Adelaide Terrace, East Perth WA 6004
Date submitted:	6 May 2013

Submission

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

Background

On 1 July 2012 the Market Rules were amended to allow for a competitive Balancing and Load Following market in the Wholesale Electricity Market (WEM) via RC 2010 11 "Competitive Balancing and Load Following Market". This represented a major change to the Market Rules. Some errors in the drafting of the amendments from RC 2010 11 have been identified, in particular in relation to cross referencing of clauses and unintended omissions of references to terms that were present in the previous version of the Market Rules.

Issues

The Independent Market Operator (IMO) has identified a number of cross referencing errors and omissions in chapter 7 of the Market Rules as follows:

1. Clause 7.10.1 of the Market Rules requires Market Participants to comply with Dispatch Instructions, Dispatch Orders and Operating Instructions issued by System Management. Where a breach occurs, System Management must under clause 7.10.5 request to Market Participant to comply and ask for an explanation for the non-

compliance. Clause 7.10.6A requires each Market Participant to provide an explanation for why it cannot comply with a request issued under clause 7.10.5. This effectively means that a Market Participant is required to explain why it cannot provide an explanation for a breach and is nonsensical. This outcome came about from the redrafting of clause 7.10.6 where the requirement to comply with a request and to provide an explanation for non-compliance were moved into separate clauses in 7.10.6A.

2. Clause 7.10.7 sets out System Management's reporting obligations to the IMO for breaches of clause 7.10.1 relating to compliance with Dispatch Instructions, Dispatch Orders and Operating Instructions. The current wording of the clause may be interpreted as exempting System Management from reporting breaches to the IMO if it has received an explanation for the breach. This is contrary to the intended outcome and the practice in place before the introduction of RC 2010 11 when all breaches had to be reported by System Management to the IMO regardless of whether System Management had received an explanation for the breach from the Market Participant in question.
3. Clause 7.10.7 also makes explicit reference to making an allowance for the Tolerance Range when considering whether to report a breach to the IMO. The clause does not make any reference to the Facility Tolerance Range when considering whether to report a breach to the IMO. The concepts of a generic Tolerance Range and a specific Facility Tolerance Range have existed in the Market Rules for some time to allow Market Participants some tolerance around set point Dispatch Instructions. The Tolerance Range is a generic concept that can apply to any Facility whereas the Facility Tolerance Range is specific to each Facility in the WEM. The omission of "Facility Tolerance Range" in clause 7.10.7 is nonsensical and implies that System Management must report "breaches" to the IMO despite the Facility operating within the Facility Tolerance Range of the Dispatch Instruction.

Change Proposal

The IMO submitted Rule Change Proposal 2013 01 "Clarification of Dispatch Compliance Obligation" on 12 April 2013.

The IMO proposed to make amendments to clauses 2.13.9, 7.10.6, 7.10.6A and 7.10.7 of the Market Rules to address each of the three issues identified above. Specifically, the changes proposed by the IMO would:

1. remove the requirement for providing an explanation for why an explanation could not be provided,
2. ensure that System Management has an obligation to report all breaches of clause 7.10.1 regardless of whether an explanation of the breach has been provided, and
3. re-introduce the reference to "Facility Tolerance Range" in clause 7.10.7 so that System Management will not be required to report deviations from Dispatch Instructions where those deviations are within the Facility Tolerance Range.

The IMO also proposed to progress the Rule Change Proposal using the Fast Track provisions of the Market Rules. The IMO's justification for using the Fast Track provisions

was that the proposal is to rectify a manifest error. Clause 2.5.9(b) of the Market Rules expressly allows for corrections of manifest errors via a Fast Track Rule Change.

Perth Energy's Views

Perth Energy supports the proposed changes to the Market Rules.

Perth Energy considers that all three issues identified by the IMO in this rule change are obvious manifest errors that should be rectified as soon as possible. It makes no sense to continue to require Market Participants to provide an explanation for not providing an explanation. Insisting on doing so is only going to add confusion and unnecessary work for all parties involved.

With respect to System Management's reporting obligations of breaches of clause 7.10.1 to the IMO, Perth Energy considers it prudent that the IMO be kept abreast of all breaches of this clause, which amongst other things relate to the compliance with Dispatch Instructions. It should not matter whether System Management has received an explanation of why the breach occurred from the Market Participant. The IMO should be informed regardless. This is important to ensure transparency and to keep the IMO at all times up to date with issues that may impact both system security and efficiency in the market.

In relation to the third issue identified above, Perth Energy considers it appropriate to explicitly re-introduce reference to the Facility Tolerance Range to avoid System Management having to report deviations from Dispatch Instruction to the IMO where these deviations were within the Facility Tolerance Range. Such unnecessary reporting will only add red tape and frustrate the efficient operation of the market.

Perth Energy agrees with the IMO's assessment that this Rule Change Proposal should be subject to the Fast Track process as it aims to rectify a manifest error.

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

Perth Energy considers the proposed changes will rectify manifest errors that were unintentionally introduced with RC 2010 11. The proposed changes are for the reasons set out above likely to remove unnecessary and nonsensical reporting obligations on System Management as well as ensure that proper reporting of actual breaches (whether an explanation has been provided or not) to the IMO occurs. Perth Energy considers that the proposed changes are likely to marginally enhance system security and the efficient operation of the market. Therefore, Perth energy considers the proposed changes are likely to positively impact on the achievement of Market Objectives¹(a) and (d) relating to efficiency, security and minimising the long-term cost of electricity supply.

¹ 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;

Perth Energy has not identified any impacts on the other Market Objectives.

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.

Perth Energy has not identified any impacts to our business.

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

Perth Energy will not require any lead time to implement the proposed changes.

(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.