



INDEPENDENT
MARKET
OPERATOR

Final Rule Change Report

Title: Clarification of the Minimum TES calculation

RC_2013_02

Fast Track Rule Change Process

Date: 15 July 2013

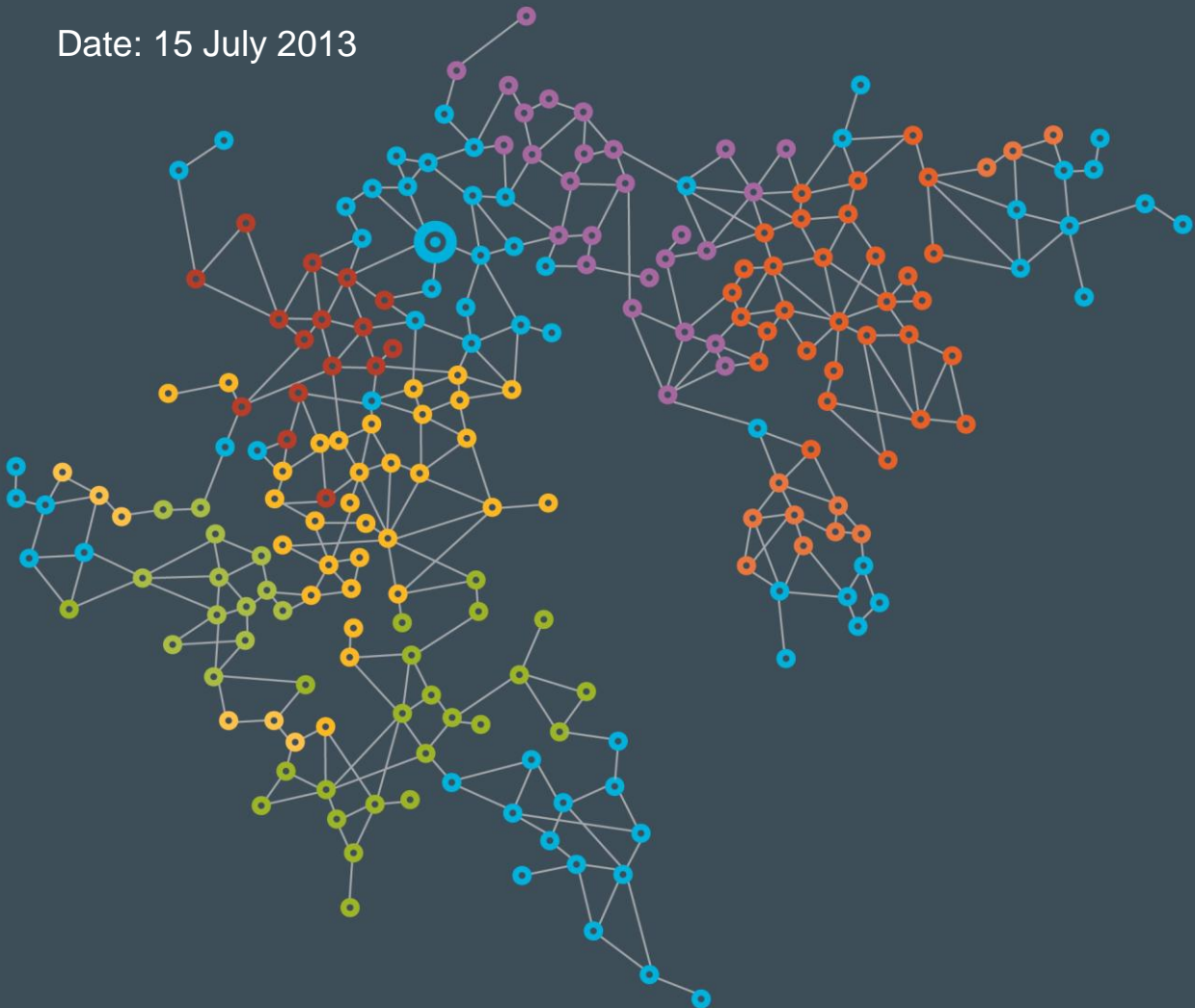


TABLE OF CONTENTS

| | |
|--|----------|
| 1. Rule Change Process and Timetable | 4 |
| 2. Proposed Amendments | 4 |
| 2.1. The Rule Change Proposal | 4 |
| 2.2. The IMO's Initial Assessment of the Proposal | 4 |
| 3. Consultation | 5 |
| 3.1. The Market Advisory Committee | 5 |
| 3.2. Submissions received during the consultation period | 5 |
| 3.3. Public Forums and Workshops | 6 |
| 4. The IMO's Final Assessment | 6 |
| 4.1. Wholesale Market Objectives | 6 |
| 4.2. Practicality and Cost of Implementation | 6 |
| 5. The IMO's Decision | 7 |
| 5.1. Reasons for the IMO's Decision | 7 |
| 6. Amending Rules | 7 |
| 6.1. Commencement | 7 |
| 6.2. Amending Rules | 7 |

Executive Summary

Proposed Amendments

Clause 6.15.2 of the Market Rules describes the calculation of the Minimum Theoretical Energy Schedule (TES) for a Balancing Facility. The IMO's Rule Change Proposal seeks to correct two manifest errors in this clause, which cause the Minimum TES of a Scheduled Generator or the Verve Energy Balancing Portfolio to be calculated incorrectly if:

- the Balancing Submission for the facility includes a Price-Quantity Pair bid at the Balancing Price; and
- the Start of Interval (SOI) Quantity of the facility lies within the MW range bid at the Balancing Price (the marginal tranche).

Consultation

The Pre Rule Change Proposal was presented to the Market Advisory Committee (MAC) at the 12 June 2013 meeting. At that meeting the MAC supported the progression of the rule change through the Fast Track Rule Change Process.

The Rule Change Proposal was formally submitted on 17 June 2013 and the consultation period was held between 18 June 2013 and 8 July 2013.

The IMO received out of session submissions from Community Electricity and Perth Energy. Both submissions supported the Rule Change Proposal.

Assessment against Wholesale Market Objectives

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

Practicality and Cost of Implementation

The IMO has not identified any costs or practicality of implementation issues associated with implementing this proposal. In particular, the IMO has confirmed that its IT systems are calculating Minimum TES in accordance with the proposed Amending Rules and so no changes to these systems will be required.

The IMO's Decision

The IMO's decision is to accept the Rule Change Proposal.

Next steps

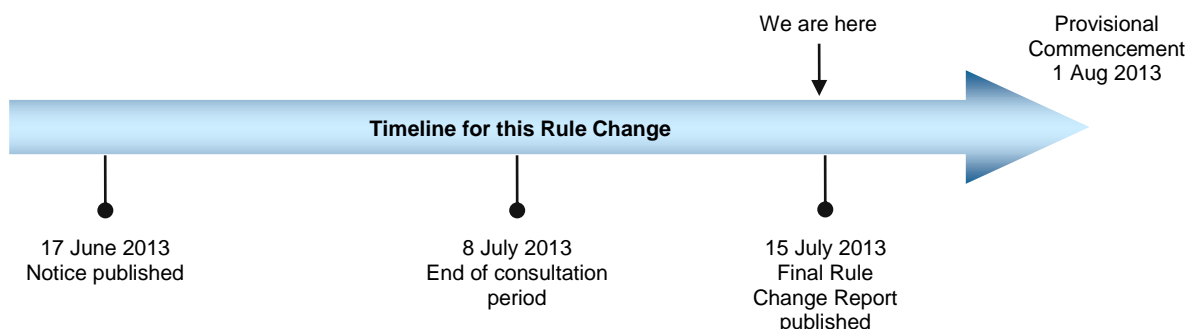
The Amending Rules will provisionally commence at **8.00 AM on 1 August 2013**.

1. Rule Change Process and Timetable

On 17 June 2013 the IMO submitted a Rule Change Proposal regarding amendments to clause 6.15.2 of the Wholesale Electricity Market Rules (Market Rules).

This proposal is being processed using the Fast Track Rule Change Process, described in section 2.6 of the Market Rules.

The key dates in processing this Rule Change Proposal are:



All documents related to this Rule Change Proposal can be found on the Market Web Site: http://www.imowa.com.au/RC_2013_02.

2. Proposed Amendments

2.1. The Rule Change Proposal

Clauses 6.15.2(a)(i)(2) and 6.15.2(c)(i)(2) describe a component of the Minimum Theoretical Energy Schedule (TES) calculation for a Scheduled Generator Balancing Facility or the Verve Energy Balancing Portfolio, that must be included if its Start of Interval (SOI) Quantity is above the total MW quantity offered at less than the Balancing Price (the bottom of the marginal tranche).

Currently clause 6.15.2(a)(i)(2) refers to "...the sum of quantities in the Facility's Balancing Price-Quantity Pairs which have a Loss Factor Adjusted Price *less than or equal to* the Balancing Price...". This should be "less than" rather than "less than or equal to", to allow for situations where the SOI Quantity is within the marginal tranche. A similar error exists in clause 6.15.2(c)(i)(2) for the Verve Energy Balancing Portfolio.

The IMO proposed to amend clauses 6.15.2(a)(i)(2) and 6.15.2(c)(i)(2) to ensure that the Minimum TES would be correctly calculated in situations where the SOI Quantity was within the marginal tranche.

For full details of the Rule Change Proposal please refer to the Market Web Site: http://www.imowa.com.au/RC_2013_02.

2.2. The IMO's Initial Assessment of the Proposal

The IMO decided to progress the Rule Change Proposal on the basis that Rule Participants should be given an opportunity to provide submissions as part of the rule change process.

The IMO decided to progress 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 criterion in

clause 2.5.9(b) of the Market Rules.

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.

Under the current drafting, energy from Price-Quantity Pairs “above” the deemed target level is excluded from the Minimum TES if the SOI Quantity is within the marginal tranche, but included if the SOI Quantity falls above this tranche. This is an absurd outcome and inconsistent with the basic TES design, under which these quantities should always be included.

3. Consultation

3.1. The Market Advisory Committee

Ms Jenny Laidlaw presented an overview of the Pre Rule Change Proposal at the 12 June 2013 Market Advisory Committee (MAC) meeting.

The Chair and Mr Stephen MacLean both sought clarification that the operating systems were calculating the Minimum TES appropriately. Ms Laidlaw confirmed that the systems were calculating Minimum TES correctly and that this error was a simple typographical error in the Market Rules.

The MAC supported the progression of the proposal through the Fast Track 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 held between 18 June 2013 and 8 July 2013.

System Management requested to be consulted on this Rule Change Proposal, but did not provide a submission to the IMO. Out of session submissions were received from Community Electricity and Perth Energy, both supporting the proposal.

The assessment by submitting parties as to whether the proposal would better facilitate the achievement of the Wholesale Market Objectives is summarised below:

| Submitter | Wholesale Market Objective Assessment |
|-----------------------|---|
| Community Electricity | Enhances the integrity of the Market Rules and is harmonious with all the Wholesale Market Objectives. |
| Perth Energy | Will positively impact on the achievement of Wholesale Market Objectives (a) and (b). No impacts on the remaining Wholesale Market Objectives have been identified. |

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_2013_02.

3.3. Public Forums and Workshops

No public forum or workshop was held in regard to this Rule Change Proposal.

4. 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.

A summary of the views expressed in submissions and by the MAC is available in section 3 of this Final Rule Change Report.

4.1. Wholesale Market Objectives

The IMO considers that the proposed amendments will correct two manifest errors in the Market Rules and are consistent with the Wholesale Market Objectives.

4.2. Practicality and Cost of Implementation

4.2.1. Cost:

No costs associated with implementing the proposed changes have been identified. In particular, the IMO has confirmed that its IT systems are calculating Minimum TES in accordance with the

proposed Amending Rules and so no changes to these systems are required.

4.2.2. Practicality:

The IMO has not identified any issues with the practicality of implementing this Rule Change Proposal.

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.

5.1. Reasons for the IMO's Decision

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

- correct two manifest errors in the Market Rules;
- are consistent with the Wholesale Market Objectives;
- have the support of the MAC; and
- have the support of 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 August 2013**.

6.2. Amending Rules

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

6.15.2 The Minimum Theoretical Energy Schedule in a Trading Interval equals:

- (a) for a Balancing Facility which is a Scheduled Generator, the amount which is the lesser of:
 - i. the sum of:
 1. the maximum amount of sent out energy, in MWh, which could have been dispatched in the Trading Interval from Balancing Price-Quantity Pairs in respect of the Balancing Facility with a Loss Factor Adjusted Price less than the Balancing Price; plus
 2. if the Facility's SOI Quantity is greater than the sum of the quantities in the Facility's Balancing Price-Quantity Pairs which have a Loss Factor Adjusted Price less than ~~or equal to~~ the

Balancing Price, the minimum amount of sent out energy, in MWh, if any, which could have been dispatched in the Trading Interval from any of the Facility's Balancing Price-Quantity Pairs which have a Loss Factor Adjusted Price greater than or equal to the Balancing Price,

taking into account the Balancing Facility's SOI Quantity and Ramp Rate Limit; and

- ii. where the Balancing Facility is subject to an Outage, the maximum amount of sent out energy, in MWh, which could have been dispatched given the Available Capacity for that Trading Interval;

....

- (c) for the Verve Energy Balancing Portfolio, the amount which is the lesser of:

- i. the sum of:
 - 1. the maximum amount of sent out energy, in MWh, which could have been dispatched in the Trading Interval from Balancing Price-Quantity Pairs within the Balancing Portfolio Supply Curve with an associated price less than the Balancing Price; plus
 - 2. if the Verve Energy Balancing Portfolio's SOI Quantity is greater than the sum of the quantities in the Balancing Price-Quantity Pairs within the Balancing Portfolio Supply Curve which have an associated price that is less than ~~or equal to~~ the Balancing Price, the minimum amount of sent out energy, in MWh, if any, which could have been dispatched in the Trading Interval from any of the Balancing Price-Quantity Pairs within the Balancing Portfolio Supply Curve which have an associated price greater than or equal to the Balancing Price,

taking into account the Portfolio Ramp Rate Limit and SOI Quantity; and

- ii. where a Facility in the Verve Energy Balancing Portfolio is subject to an Outage, the maximum amount of sent out energy, in MWh, which could have been dispatched given the sum of the Available Capacity of Facilities in the Verve Energy Balancing Portfolio for that Trading Interval.