



Independent Market Operator

**Final Rule Change Report
Title: Curtailable Load Dispatch for NCS
and Changes to the RCOQ for Curtailable
Loads under certain circumstances**

RC_2011_08

Standard Rule Change Process

Date: 22 November 2011

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EXECUTIVE SUMMARY

Rule Change Proposal

Currently the Market Rules contain limitations on the dispatch of Curtailable Loads which reduce the effectiveness of these facilities in providing an alternative option to network investment via the provision of Network Control Services. There are also provisions in the Market Rules which reduce the Reserve Capacity Obligation Quantity for a Curtailable Load for unintended reasons, such as being dispatched under a Network Control Services contract. System Management proposed a number of amendments to the Market Rules to address these issues.

Consultation

- A Concept Paper and a Pre Rule Change Proposal were discussed by the Market Advisory Committee (MAC) at the June and July 2011 meetings respectively. The MAC was generally supportive of the proposed amendments.
- System Management formally submitted the Rule Change Proposal on 14 July 2011. The IMO issued a notice calling for submissions on 18 July 2011. Submissions were received from EnerNOC, Landfill Gas and Power, Synergy and Western Power. All submissions supported the proposed amendments.
- The Draft Rule Change Report was published on 26 September 2011. During the second submission period one submission was received from Synergy, again supporting the proposed amendments.

Assessment against Wholesale Market Objectives

The IMO has found the proposed amendments to promote Wholesale Market Objective (a) and to be consistent with the remaining Wholesale Market Objectives.

Practicality and Cost of Implementation

The proposed amendments will cost approximately \$24,000 AUD to implement in the IMO's IT systems and will not result in any IT costs to System Management. Likewise, submitting parties did not identify any costs associated with the proposed amendments. No practical implications have been identified.

The IMO's Proposed Decision

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

Next steps

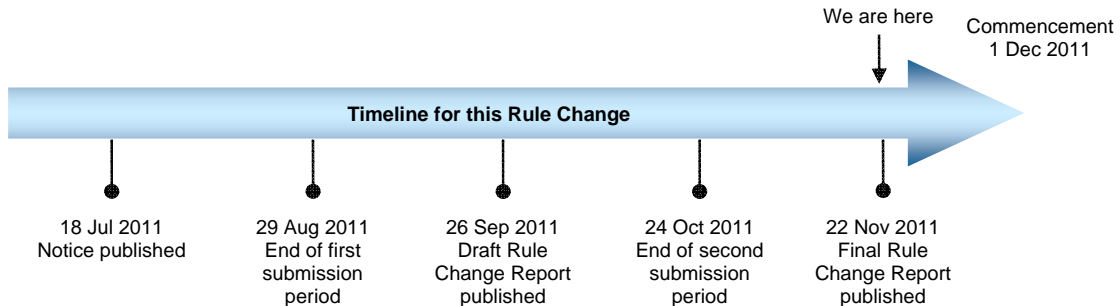
The resultant Amending Rules will commence at **8:00am on 1 December 2011**.

1. RULE CHANGE PROCESS AND TIMETABLE

On 14 July 2011 System Management submitted a Rule Change Proposal regarding amendments to clauses 4.12.4, 4.12.8, 4.26.2D and 7.6.10 of the Wholesale Electricity Market Rules (Market Rules).

This proposal is being processed using the Standard Rule Change Process, described in section 2.7 of the Market Rules.

The key dates in processing this Rule Change Proposal are:



2. PROPOSED AMENDMENTS

2.1 The Rule Change Proposal

In its Rule Change Proposal, System Management raised two issues around the relationship between the grounds for the dispatch of a Curtailable Load¹ and the Reserve Capacity Obligation Quantity (RCOQ) of the Facility.

- Issue 1: The Market Rules limit the dispatch of Curtailable Loads and so limit the effectiveness of alternate options to network investment in Network Control Service (NCS) Contracts.
- Issue 2: The Market Rules reduce the RCOQ for Curtailable Loads for unintended purposes being NCS Dispatch, Ancillary Service, Tests and Balancing Support.

To correct these identified issues System Management proposed to amend the Market Rules to:

- ensure that System Management's ability to dispatch a Curtailable Load under any of clauses 7.6.6(a)-(d) is not restricted by the Reserve Capacity Obligations of the Facility;
- ensure that only dispatches under clause 7.6.6(e) are considered when assessing whether a Curtailable Load has reached its availability limits under clauses 4.12.4 and 4.12.8; and

¹ The IMO notes that as of 1 October 2011 the Amending Rules from the Rule Change Proposal: Curtailable Loads and Demand Side Programmes (DSP) (RC_2010_29) commenced. These removed the concept of a Curtailable Load as a Registered Facility from the Market Rules and replaced this with the concept of the DSP being the Registered Facility. The DSP then has loads associated with it for the purposes of capacity obligations, dispatch and settlements.

- ensure that Capacity Shortfalls are only calculated under clause 4.26.2D for dispatches of Curtailable Loads under clause 7.6.6(e).

Full details of the Rule Change Proposal are available in Appendix 1 of this report.

2.2 The IMO's Initial Assessment of the Proposal

The IMO decided to proceed with the proposal on the basis that Market Participants should be given an opportunity to provide submissions as part of the rule change process.

3. CONSULTATION

3.1 Market Advisory Committee

The MAC discussed the proposal at the 8 June 2011 and 13 July 2011 MAC meetings. An overview of the discussion from the MAC meetings is presented below. Further details are available in the MAC meeting minutes available on the IMO website: <http://www.imowa.com.au/market-advisory-committee>.

June 2011 meeting

During the June 2011 meeting Mr Brendan Clarke from System Management presented the Concept Paper: Curtailable Load Dispatch for Network Control Service. The following points were raised.

- There was some discussion around the reasons why a Market Participant providing an NCS using Demand Side Management (DSM) needed to apply for Certified Reserve Capacity.
- Mr Clarke noted that as System Management can only dispatch a Curtailable Load in accordance with its RCOQ, which restricts dispatch to two days in succession and the Availability Class (24, 48, 72 or 96 hours per year), the Market Rules restrict the operation of a NCS Contract for DSM.
- Mr Matt Schultz queried whether there was also an issue in relation to Interruptible Loads. Mr Clarke noted that currently Interruptible Loads operate under Ancillary Service Contracts for Spinning Reserve rather than Reserve Capacity Obligations.
- Mr Stephen MacLean queried whether the ability for DSM providers to meet the more stringent NCS Contract requirements suggested that the current Market Rules are too lenient in terms of the obligations of Curtailable Loads. The Chair noted that he had previously advised DSM providers that the availability requirements for DSM (and in particular the provision of only 24 hours of availability and the two day limit on consecutive operation) are under consideration as part of the current Reserve Capacity Mechanism review.

There was general agreement from the MAC to progress with the proposal. It was noted that there were other aspects of the Market Rules that might also require amendment to ensure separation of services provided under an NCS Contract from those provided under normal Reserve Capacity Obligations.

July 2011 meeting

System Management's Pre Rule Change Proposal was tabled at the July 2011 meeting. Ms Jenny Laidlaw noted that the IMO had identified a number of further amendments to the Market Rules required to ensure that a Curtailable Load's RCOQ would not affect dispatch under clauses 7.6.3 and 7.6.4 (i.e. under clause 7.6.6(e)), and to ensure that dispatch for any other reason should be treated in the manner proposed by System Management for dispatch under a NCS Contract. Ms Laidlaw also noted that clause 4.12.4 should be amended as it covers adjustments to RCOQ in response to Dispatch Instructions, and that clause 4.26.2D should be amended to ensure Capacity Shortfalls are only calculated for DSM when is it dispatched under clause 7.6.6(e).

There was general support from MAC members for the inclusion of the additional amendments suggested by the IMO into the Rule Change Proposal.

3.2 Submissions received during the first submission period

The first submission period for this Rule Change Proposal was between 19 July 2011 and 29 August 2011.

The IMO received submissions from EnerNOC, Landfill Gas & Power (LGP), Synergy and Western Power. The full text of the submissions is available on the IMO website.

All submitting parties supported the proposed amendments. LGP noted that the current arrangements appear to be a manifest error. No issues were raised in the submissions.

Synergy and EnerNOC considered that the proposed changes would better Wholesale Market Objective (a). LGP considered that the proposed changes are consistent with the Wholesale Market Objectives and improve the integrity of the Market Rules by correcting the error. Western Power agreed that the proposed changes better facilitate the achievement of the Wholesale Market Objectives.

3.3 Submissions received during the second submission period

Following the publication of the Draft Rule Change Report on the IMO website, the second submission period was between 27 September 2011 and 24 October 2011.

The IMO received one submission from Synergy. The full text of the submission is available on the IMO website. Synergy again supported the Rule Change Proposal and considered that it would allow the Market Rules to better address Wholesale Market Objective (a). No issues were raised in Synergy's submission.

3.4 Public Forums and Workshops

No public forums or workshops were held in relation to this Rule Change Proposal.

4. THE IMO'S DRAFT ASSESSMENT

The IMO's draft assessment, against clauses 2.4.2 and 2.4.3 of the Market Rules, and analysis of the Rule Change Proposal can be viewed in the Draft Rule Change Report (available on the IMO website).

5. THE IMO'S DRAFT DECISION

The IMO CEO's proposed decision was to accept the Rule Change Proposal, on the basis that the Amending Rules:

- will allow the Market Rules to better address Wholesale Market Objective (a);
- are consistent with the remaining Wholesale Market Objectives;
- have the support of the MAC; and
- were supported by all the submissions received during the first submission period.

Additional detail outlining the analysis behind the IMO's reasons is outlined in section 5 of the Draft Rule Change Report.

6. 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 or any technical studies commissioned 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 report.

The IMO's assessment is outlined in the following sub-sections.

6.1 Wholesale Market Objectives

The IMO considers that the Market Rules as a whole, if amended, will be consistent with the Wholesale Market Objectives. Further, the IMO considers that the Market Rules if amended

would not only be consistent with the Wholesale Market Objectives but also allow the Market Rules to better address Wholesale Market Objective (a).

The IMO's assessment is presented below:

- (a) *to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West Interconnected System*

The proposed amendments will ensure that System Management is able to dispatch Curtailable Loads under an NCS Contract without any RCOQ restrictions. The proposed amendments will also ensure that the availability of a Curtailable Load to meet system supply shortfalls is not reduced through dispatch for another purpose, maximising the benefit of this capacity to the market. Improving the availability of Curtailable Loads to System Management will promote the safe and reliable production and supply of electricity and electricity related services in the SWIS, while the separation of Reserve Capacity Obligations from obligations under an NCS Contract will improve the economic benefit of both services.

The IMO considers that the proposed changes are consistent with the remaining Wholesale Market Objectives and improve the integrity of the Market Rules.

6.2 Practicality and cost of implementation

Cost:

The proposed amendments will require changes to the IMO's IT systems. These changes will cost approximately \$24,000 AUD. No changes are required to System Management's IT systems to facilitate the amendments.

No additional costs to participants were identified in the submissions received by the IMO for the Rule Change Proposal.

Practicality:

The IMO has not identified any issues with the practicality of implementing the proposed changes.

7. THE IMO'S FINAL DECISION

The IMO's final decision is to accept the Rule Change Proposal. The IMO has made its decision on the basis that the Amending Rules:

- will allow the Market Rules to better address Wholesale Market Objective (a);
- are consistent with the remaining Wholesale Market Objectives;
- have the support of the MAC; and
- are supported by all the submissions received during the first and second submission periods.

Additional detail outlining the analysis behind the IMO's reasons is outlined in section 6 of this report.

8. AMENDING RULES

8.1 Commencement

The amendments to the Market Rules resulting from this Rule Change Proposal will commence at **8:00am** on **1 December 2011**.

8.2 Amending Rules

The following clauses are amended (added text, ~~deleted text~~).

4.12.4. Subject to clause 4.12.5, where the IMO establishes the initial Reserve Capacity Obligation Quantity to apply for a Facility for a Trading Interval:

- (a) the Reserve Capacity Obligation Quantity must not exceed the Certified Reserve Capacity held by the Market Participant for the Facility;

...

- (c) for Interruptible Loads, Demand Side Programmes and Dispatchable Loads, except where otherwise precluded by this clause 4.12.4, the Reserve Capacity Obligation Quantity:

- i. will equal zero once the capacity has been dispatched under clause 7.6.6(e) for the number of hours per year that are specified under clause 4.10.1(f)(ii);
- ii. will equal zero for the remainder of a Trading Day in which the capacity has been dispatched under clause 7.6.6(e) for the number of hours per day that are specified under clause 4.10.1(f)(iii);
- iii. will equal zero once the capacity has been dispatched under clause 7.6.6(e) for the maximum number of times per year specified under clause 4.10.1(f)(iv) ~~excluding where the Facility has been requested to perform a Reserve Capacity test in accordance with clause 4.25;~~
- iv. must account for staffing and other restrictions on the ability of the Facility to curtail energy upon request; and
- v. will equal zero for ~~intervals~~ Trading Intervals which fall outside of the periods specified in clause 4.10.1(f)(vi).

4.12.8. Where a Demand Side Programme is dispatched under clause 7.6.6(e) to a level equal to its Reserve Capacity Obligation Quantity on two consecutive days the Reserve Capacity Obligation Quantity for the third consecutive day will be zero.

4.26.2D. The IMO must determine the capacity shortfall in Reserve Capacity (“Capacity Shortfall”) supplied by each Market Participant p holding Capacity Credits associated with a Demand Side Programme in each Trading Interval t of Trading Day d and Trading Month m relative to its Reserve Capacity Obligation Quantity as:

(a) where System Management has issued a Dispatch Instruction under clause 7.6.6(e) to the Demand Side Programme for the Trading Interval as advised to the IMO by System Management under clause 7.13.1:

$$\max(0, \min(\text{RCOQ}, \text{DIMW}) - \max(0, \text{RD} - \text{DSPLMW}))$$

where

RCOQ is the Reserve Capacity Obligation Quantity of the Demand Side Programme for Trading Interval t (in MW), determined in accordance with clause 4.12.4;

DIMW is the quantity by which the Demand Side Programme was instructed by System Management to reduce its consumption in Trading Interval t as specified by System Management in accordance with clause 7.13.1(eC), multiplied by two to convert to units of MW;

RD is the Relevant Demand of the Demand Side Programme for Trading Day d, determined by the IMO in accordance with clause 4.26.2CA; and

DSPLMW is the Demand Side Programme Load of the Demand Side Programme in Trading Interval t, multiplied by two to convert to units of MW; and

(b) zero, where System Management has not issued a Dispatch Instruction under clause 7.6.6(e) to the Demand Side Programme for Trading Interval t as advised to the IMO by System Management under clause 7.13.1.

7.6.10. Where a Market Participant has Capacity Credits granted in respect of a Demand Side Programme:

(a) the IMO must provide System Management with the details of the Reserve Capacity Obligations to enable System Management to dispatch the Demand Side Programme; and

- (b) any Dispatch Instructions issued by System Management ~~may issue directions~~ to the Demand Side Programme under clause 7.6.6(e) must be in accordance with those Reserve Capacity Obligations.

APPENDIX 1: ORIGINAL RULE CHANGE PROPOSAL

Change Proposal No: RC_2011_08

Received date: 14 July 2011

Submitted by

Name:	Brendan Clarke
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Organisation:	System Management
Address:	
Date submitted:	14 July 2011
Urgency:	3 – High
Change Proposal title:	Curtaillable Load Dispatch for Network Control Services and Changes to the Reserve Capacity Obligation Quantity for Curtaillable Loads under certain circumstances
Market Rule(s) affected:	Clauses 4.12.4, 4.12.8, 4.26.2D and 7.6.10

Details of the proposed Market Rule Change

- 1) Outline the issue concerning the existing Market Rules that is to be addressed by the proposed Market Rule change:

Issue 1: The Market Rules limit the dispatch of Curtaillable Loads and so limits the effectiveness of alternate options to network investment in Network Control Service Contracts

System Management may dispatch curtaillable load facilities under its obligations in Clause 7.6.10.

“7.6.10. Where a Market Participant has Capacity Credits granted in respect of a

Curtaillable Load:

(a) the IMO must provide System Management with the details of the Reserve Capacity Obligations to enable System Management to dispatch the Curtaillable Load.

(b) System Management may issue directions to the Curtaillable Load in accordance with the Reserve Capacity Obligations.”

The Reserve Capacity Obligations are determined by the particular availability class, being 24, 48, 72 or 96 hours in any year and by Rule 4.12.8 which prevents full dispatch for more than 2 days.

“4.12.8. Where a Curtailable Load is dispatched to a level equal to its Reserve Capacity Obligation Quantity on two consecutive days the Reserve Capacity Obligation Quantity for the following day shall be zero.”

System Management may need to issue dispatch instructions to curtailable loads to meet system security in accordance with the dispatch merit order or for network control service contracts.

Network Control Service Contracts generally require unrestricted dispatch, that is for more than 2 consecutive days and more than 24 hours per year. The current rules prevent System Management dispatching curtailable loads for this purpose.

As such System Management believes the Market Rules prevents operation of Network Control Services as agreed between the Curtailable Load Owner and the Network Service Provider.

Issue 2: The Market Rules reduce the Reserve Capacity Obligation Quantity (RCOQ) for Curtailable Loads for unintended purposes being Network Control Service Dispatch, Ancillary Service, Tests and Balancing Support.

The IMO, at the MAC meeting of 13 July 2011, requested System Management include this issue in this submission as it is related to the RCOQ of curtailable loads. This expands the scope of the concept to include Ancillary Services Contracts, Testing and Balancing Support Contracts.

System Management may issue a dispatch instruction under Market Rule 7.6.6

“7.6.6. System Management may issue Dispatch Instructions to Market Participants other than the Electricity Generation Corporation:

(a) in accordance with any Ancillary Service Contract;

(b) in accordance with any Balancing Support Contract;

(c) in accordance with the details of any Network Control Service Contract, as advised to System Management by a Network Operator in accordance with clause 5.3A.3 or updated by a Network Operator in accordance with clause 5.2A.4;

(d) in connection with any test of equipment allowed under these Market

Rules; or

(e) under clause 7.6.3 or clause 7.6.4.”

The availability of curtailable loads is limited in the number of times it can be called per year. For example a curtailable load can have a limit of 6 activations per capacity year. The curtailable however may be called for various purposes such a reserve capacity test or a network control service. These are requirements are additional to the need to have the curtailable load available to meet the system supply shortfalls.

Hence the number of times called however should only be counted if it is used for system security purposes, that is, only for the reason given in sub section (e) of clause 7.6.6.

The rule that defines the obligations at any time for a curtailable load is given in clauses 4.12.4 and 4.12.8

“4.12.4. Subject to clause 4.12.5, the IMO must apply the following principles in establishing the initial Reserve Capacity Obligation Quantity to apply for a Facility for a Trading

Interval:

(c) for Interruptible Loads, Curtailable Loads and Dispatchable Loads, except where otherwise precluded by this clause 4.12.4, the Reserve Capacity Obligation Quantity for each block:

i. must be required to be available for a number of hours per year that does not exceed the maximum number of hours per year as specified in accordance with clause 4.10.1(f)(ii);

ii. must be required to be available for a number of hours per day that does not exceed the maximum number of hours per day as specified in accordance with clause 4.10.1(f)(iii);

iii. must be specified as dropping to zero once the capacity from the block has been called the maximum number of times per year as specified in accordance with clause 4.10.1(f)(iv); and

iv. must account for staffing and other restrictions on the ability of the Facility to provide energy upon request.”

“4.12.8. Where a Curtailable Load is dispatched to a level equal to its Reserve Capacity Obligation Quantity on two consecutive days the Reserve Capacity Obligation Quantity for the following day shall be zero.”

The current market rules amend the RCOQ for any reasons, not just those relating to system supply shortfall events.

2) Explain the reason for the degree of urgency:

System Management submits that the Rule Change Proposal be progressed with an urgency of high.

The change is urgent, to address the anticipated need to dispatch Network Control Services during the summer of 2011/12. The dispatch of curtailable loads should not be restricted for this period being from 1 December 2011.

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)

The proposed amendments are based on the rules that are scheduled to come into effect on 1 October 2011 as part of rule change RC_2010_29 (Curtailable Loads and Demand Side Programmes) This effectively replaces curtailable loads with demand side programmes.

- 4.12.4. Subject to clause 4.12.5, where the IMO establishes the initial Reserve Capacity Obligation Quantity to apply for a Facility for a Trading Interval:
- (a) the Reserve Capacity Obligation Quantity must not exceed the Certified Reserve Capacity held by the Market Participant for the Facility;
 - ...
 - (c) for Interruptible Loads, Demand Side Programmes and Dispatchable Loads, except where otherwise precluded by this clause 4.12.4, the Reserve Capacity Obligation Quantity:
 - i. will equal zero once the capacity has been dispatched under clause 7.6.6(e) for the number of hours per year that are specified under clause 4.10.1(f)(ii);
 - ii. will equal zero for the remainder of a Trading Day in which the capacity has been dispatched under clause 7.6.6(e) for the number of hours per day that are specified under clause 4.10.1(f)(iii);
 - iii. will equal zero once the capacity has been dispatched under clause 7.6.6(e) for the maximum number of times per year specified under clause 4.10.1(f)(iv) ~~excluding where the Facility has been requested to perform a Reserve Capacity test in accordance with clause 4.25;~~
 - iv. must account for staffing and other restrictions on the ability of the Facility to curtail energy upon request; and
 - v. will equal zero for ~~intervals~~ Trading Intervals which fall outside of the periods specified in clause 4.10.1(f)(vi).
- 4.12.8. Where a Demand Side Programme is dispatched under clause 7.6.6(e) to a level equal to its Reserve Capacity Obligation Quantity on two consecutive days the Reserve Capacity Obligation Quantity for the third consecutive day will be zero.
- 4.26.2D. The IMO must determine the capacity shortfall in Reserve Capacity (“Capacity Shortfall”) supplied by each Market Participant p holding Capacity Credits associated with a Demand Side Programme in each Trading Interval t of Trading Day d and Trading Month m relative to its Reserve Capacity Obligation Quantity as:

- (a) where System Management has issued a Dispatch Instruction under clause 7.6.6(e) to the Demand Side Programme for the Trading Interval as advised to the IMO by System Management under clause 7.13.1:

$$\max(0, \min(\text{RCOQ}, \text{DIMW}) - \max(0, \text{RD} - \text{DSPLMW}))$$

where

RCOQ is the Reserve Capacity Obligation Quantity of the Demand Side Programme for Trading Interval t (in MW), determined in accordance with clause 4.12.4;

DIMW is the quantity by which the Demand Side Programme was instructed by System Management to reduce its consumption in Trading Interval t as specified by System Management in accordance with clause 7.13.1(eC), multiplied by two to convert to units of MW;

RD is the Relevant Demand of the Demand Side Programme for Trading Day d, determined by the IMO in accordance with clause 4.26.2CA; and

DSPLMW is the Demand Side Programme Load of the Demand Side Programme in Trading Interval t, multiplied by two to convert to units of MW; and

- (b) zero, where System Management has not issued a Dispatch Instruction under clause 7.6.6(e) to the Demand Side Programme for Trading Interval t as advised to the IMO by System Management under clause 7.13.1.

7.6.10. Where a Market Participant has Capacity Credits granted in respect of a Demand Side Programme:

- (a) the IMO must provide System Management with the details of the Reserve Capacity Obligations to enable System Management to dispatch the Demand Side Programme; and
- (b) any Dispatch Instructions issued by System Management may issue directions to the Demand Side Programme under clause 7.6.6(e) must be in accordance with those Reserve Capacity Obligations.

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

This proposed Rule Change would better address objective (a) of the Market Objectives. The change as submitted would promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West Interconnected System.

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

Benefits:

The changes allow curtailable loads to provide a more economic alternative to network investment

Costs:

No costs have been anticipated by System Management other than the administrative costs to change the rules.
