

ELECTRICITY INDUSTRY ACT 2004

ELECTRICITY INDUSTRY (WHOLESALE ELECTRICITY MARKET) REGULATIONS 2004

WHOLESALE ELECTRICITY MARKET RULES

COMMENCEMENT:

This Market Procedure took effect from [xxxxx].

VERSION HISTORY

VERSION	EFFECTIVE DATE	NOTES
Draft	xxxxx	Market Procedure for Balancing Facility Requirements
<u>Draft2</u>	<u>xxxxx</u>	<u>Market Procedure for Balancing Facility Requirements</u>

CONTENTS

<u>1.</u>	<u>PROCEDURE OVERVIEW</u>	<u>1</u>
1.1	Relationship with the Market Rules	1
1.2	Purpose	1
1.3	Application	1
1.4	Associated Market Procedures	1
1.5	Interpretation	2
<u>2.</u>	<u>TECHNICAL REQUIREMENTS AND COMMUNICATION CRITERIA</u>	<u>2</u>
2.1	Ability to Receive Electronic Dispatch Instructions	2
2.2	Confirmation of Dispatch Instructions	2
2.3	Response to Dispatch Instructions	2
2.4	Ramping Capability	2
2.5	Inability to Respond to Electronic Dispatch Instructions	2
2.6	Reporting Non-Compliance	3
<u>3.</u>	<u>IMO PROCESS FOR ASSESSING CONDITIONS</u>	<u>3</u>
3.1	Background	3
3.2	Assessing Whether to Impose Conditions	4
<u>4.</u>	<u>Application of Conditions</u>	<u>4</u>
4.1	Requirement to Submit Balancing Submissions At Specified Prices	5
4.2	Manner and Time of Balancing Submissions	5
4.3	Other Conditions	6
1.	PROCEDURE OVERVIEW	1
1.1	Relationship with the Market Rules	1
1.2	Purpose	1
1.3	Application	1
1.4	Associated Market Procedures	1
1.5	Interpretation	2
2.	TECHNICAL REQUIREMENTS AND COMMUNICATION CRITERIA	2
2.1	Ability to Receive Electronic Dispatch Instructions	2
2.2	Confirmation of Dispatch Instructions	2
2.3	Response to Dispatch Instructions	2

2.4	Ramping Capability	2
2.5	Inability to Respond to Electronic Dispatch Instructions	2
2.6	Reporting Non-Compliance	3
3.	SUSPENSIONS AND <u>DIMO PROCESS FOR ASSESSING CONDITIONS</u>	3
3.1	Background	3
3.2	Assessing Whether to Suspend Obligations or Impose Conditions	3
3.3	Initial Assessments	4
4.	Application of Conditions	4
4.1	Requirement to Submit Balancing Submissions At Specified Prices	4
4.2	Manner and Time of Balancing Submissions	5
4.3	Entitlement to be Assigned Certified Reserve Capacity	<u>4.3</u>
	<u>Other Conditions</u>	<u>5</u>
4.4	Other Conditions	6

1. PROCEDURE OVERVIEW

1.1 Relationship with the Market Rules

1.1.1 This Balancing Facility Requirements Procedure (Procedure) should be read in conjunction with clauses 7A.1.5 through 7A.1.~~11-10~~ of the Wholesale Electricity Market (WEM) Rules (Market Rules).

1.1.2 Reference to particular Market Rules within the Procedure in bold and square brackets [**MR XX**] are current as of [date]. These references are included for convenience only, and are not part of this Procedure.

1.2 Purpose

1.2.1 This Procedure sets out technical requirements and communication criteria ("Requirements") which a Balancing Facility (~~"Requirements"~~) with a rated capacity of 10 MW or more must meet and which a Balancing Facility with a rated capacity of less than 10 MW may meet, and where that is not the case, the process the IMO will follow in considering whether it is appropriate to ~~suspend the Market Participant's obligation to ensure its Facility meets the Requirements or to~~ impose conditions on the manner in which it must participate in the Balancing Market.

1.3 Application

1.3.1 This Procedure applies to:

- a) Market Participants which own Balancing Facilities in relation to technical requirements and communication criteria which their Facilities must meet and related information they must provide to the IMO;
- b) System Management in providing advice to the IMO regarding the potential system security implications where a Balancing Facility does not meet the technical requirements and communication criteria;
- c) The IMO, where a Balancing Facility does not meet the technical requirements and communication criteria, in determining whether it is appropriate to ~~suspend obligations or to~~ impose conditions on participation.

1.4 Associated Market Procedures

1.4.1 The following IMO Market Procedures are associated with this Procedure:

- a) Power System Operation Procedure: Communications and Control Systems

- b) Power System Operating Procedure: Dispatch

1.5 Interpretation

- 1.5.1 In this Procedure, subject to [MR7A.1.9], the conventions specified in clauses 1.3 - 1.5 of the Market Rules apply.

2. TECHNICAL REQUIREMENTS AND COMMUNICATION CRITERIA

This section sets out the technical requirements and communication criteria which a Balancing Facility must meet and, if not, the Market Participant's obligation to advise the IMO.

2.1 Ability to Receive Electronic Dispatch Instructions

- 2.1.1 Market Participants must ensure that for each of their Balancing Facilities they are able to receive electronic or back-up Dispatch Instructions issued by System Management in accordance with the PSOP (Communications and Control Systems, ~~{clause xxx}~~).

2.2 Confirmation of Dispatch Instructions

- 2.2.1 Market Participants must confirm to System Management, in accordance with requirements in the PSOP (Communications and Control Systems, ~~{clause xxx}~~), each electronic or backup Dispatch Instruction from System Management.

2.3 Response to Dispatch Instructions

- 2.3.1 Market Participants must ensure that each Dispatch Instruction from System Management for one of their Balancing Facilities is implemented in accordance with requirements in the PSOP (Communications and Control Systems, ~~{clause xxx}~~).

2.4 Ramping Capability

- 2.4.1 Market Participants must ensure that, subject to requirements in Section 2.3 of this Procedure, each of their Balancing Facilities is capable of responding to an electronic Dispatch Instruction from System Management to ramp upwards or downwards to a target MW level at a rate less than or equal to the Facility's Ramp Rate Limit.

2.5 Inability to Respond to Electronic Dispatch Instructions

- 2.5.1 Market Participants must advise System Management if one of their Balancing Facilities is unable to respond, or can no longer respond, in accordance with the requirements in Section 2.3 of this Procedure, to an electronic Dispatch Instruction

from System Management. Market Participants must provide this advice in accordance with requirements in the PSOP (Communications and Control Systems, [clause xxx]).

2.6 Reporting Non-Compliance

2.6.1 Market Participants are required under [MR7A.1.6] to ensure that their Balancing Facilities meet the requirements set out in Sections 2.1 to 2.4 of this Procedure.

2.6.2 Where a Balancing Facility does not meet one or more of these requirements, the Market Participant must advise the IMO in writing, including the following details:

- a) the Balancing Facility concerned;
- b) the particular requirement(s) which the Facility does not meet;
- c) the reasons for, and extent of, non-compliance with the requirement(s); and
- d) any measures that the Market Participant will take, and by when, to ensure the Balancing Facility meets the requirement(s).

2.6.3 Notwithstanding the above, the IMO may at any time, in accordance with [MR7A.1.7], request a Market Participant to provide in writing all information reasonably required to demonstrate that its Balancing Facilities meet the Balancing Facility Requirements.

3. ~~SUSPENSIONS AND~~ IMO PROCESS FOR ASSESSING CONDITIONS

This section sets out the process the IMO will follow in relation to a Balancing Facility that does not meet one or more of the requirements specified in Sections 2.1 to 2.4 of this Procedure.

3.1 Background

~~3.1.1~~ Where a Balancing Facility does not meet any of the requirements in Sections 2.1 to 2.4 of this Procedure, the IMO may, in accordance with [MR7A.1.8]:

- ~~a) suspend the obligation of the relevant Market Participant to ensure that its Balancing Facility meets some or all of the requirements; or~~

~~3.1.23.1.1~~], impose conditions on the manner in which the Market Participant must participate in the Balancing Market.

~~3.1.33.1.2~~ In assessing whether it is appropriate to suspend obligations or to impose conditions, the IMO must consider, in accordance with [MR7A.1.11], whether the likely benefits to the operation of the Balancing Market would be outweighed by the

~~relative cost to a Market Participant in ensuring its Balancing Facility meets the requirements in this Procedure. Under [MR7A.1.8 (b)]~~Under [MR7A.1.8] conditions which the IMO may impose include the price at which the Market Participant must submit a Balancing Submission, and the manner and time in which a Balancing Submission must be submitted ~~or the entitlement to be issued Capacity Credits.~~

3.2 Assessing Whether to ~~Suspend Obligations or~~ Impose Conditions

~~[To be discussed]~~

3.2.1 If the IMO becomes aware that a Balancing Facility does not meet one of more of the Requirements specified in Sections 2.1 to 2.4 of this Procedure, the IMO will:

- a) Request the relevant Market Participant to provide within a specified timeframe, which will not be less than XX Business Days, any additional information which the IMO considers relevant to its assessment of the extent of which the Balancing Facility not meeting the requirement(s);
- b) Make an assessment of whether to impose conditions on the Balancing Facility's participation in the Balancing Market, which must consider the imposing of a condition for a specified timeframe or a condition subject to review; and
- c) Publish, in accordance with [MR7A.1.10], any decision to impose a condition including the details of any such condition.

~~3.3 Initial Assessments~~

~~3.3.1 Where Market Participants will be unable to comply at [commencement date] Balancing Market Commencement with any of the requirements in 2.1 to 2.4 of this Procedure, they must advise the IMO by [xxx] in accordance with Section 2.6.2 of this Procedure.~~

~~3.3.2 The IMO will make an assessment, in accordance with Section 3.2 of this Procedure, of whether to grant suspension of obligations or to impose conditions on the Balancing Facility's participation in the Balancing Market.~~

4. Application of Conditions

Subject to the assessment described in Section 3.2 of this Procedure, where a Balancing Facility does not meet one or more of the requirements specified in Sections 2.1 to 2.4 of this Procedure, the IMO may impose conditions on the relevant Market Participant. Such conditions may include but are not limited to:

4.1 Requirement to Submit Balancing Submissions At Specified Prices

Price Cap Conditions for Scheduled Generator Submissions

- 4.1.1 Where a Scheduled Generator Facility does not meet any of the requirements in Sections 2.1 to 2.4 of this Procedure, the IMO may impose conditions on the relevant Market Participant requiring that Balancing Submissions for the Facility be submitted at the Price Caps.
- 4.1.2 Where the IMO imposes such a condition, the Market Participant must ensure that its Balancing Submissions for the Facility for each Trading Interval comprise:
- a) The expected generation for each Trading Interval at the Minimum STEM Price, which, subject to any other conditions imposed by the IMO or Facility outages, will be the Facility Resource Plan; and
 - b) Any remaining generation capacity for each Trading Interval at the Maximum or Alternative Maximum STEM Price.
- 4.1.3 Note that in accordance with [MR7A.3.3], where there is a tie between quantities in Balancing Submissions which are priced at the Price Caps:
- a) Balancing Facilities which meet the Balancing Facility Requirements will be ranked in the Balancing Merit Order ahead of other Facilities; and
 - b) Balancing Facilities which are subject to conditions under this Market Procedure will be ranked ahead of other Balancing Facilities which do not meet the requirements in this Procedure.

Price Conditions for Non-scheduled Generator Submissions

- 4.1.4 A Non-Scheduled Generator Facility will not meet the requirement in Sections 2.3 and 2.4 of this Procedure in respect of Dispatch Instructions from System Management to increase generation. As such, the IMO will impose a condition on the relevant Market Participant restricting Balancing Submissions for the Facility, for each Trading Interval, to a single Price-Quantity pair for downwards dispatch.
- 4.1.5 Where the Non-Scheduled Generator Facility does not meet the requirements in Sections 2.1, 2.2 or, in respect of Dispatch Instructions from System Management to reduce generation, 2.3 or 2.4 of this Procedure, the IMO may impose an additional condition on the relevant Market Participant that Balancing Submissions for the Facility must be the Minimum STEM Price.

4.2 Manner and Time of Balancing Submissions

- 4.2.1 Where a Balancing Facility does not meet the requirements in Sections 2.1 or 2.2 of this Procedure or cannot respond to Dispatch Instructions from System Management in the timeframes required in Section 2.3 of this Procedure, the IMO may impose

conditions on the relevant Market Participant including restricting the times when it may submit or revise Balancing Submissions or specifying the times when it must submit or revise Balancing Submissions and the manner in which it must make submissions.

~~4.3 — Entitlement to be Assigned Certified Reserve Capacity~~

~~4.3.1 — Under [MR4.10.1(k)], a Market Participant applying for Reserve Capacity Credits for a Balancing Facility is required to provide evidence of the extent to which the Facility will meet applicable Balancing Facility Requirements. Under [MR4.11.12], the IMO must not assign Certified Reserve Capacity to a Balancing Facility unless the IMO is satisfied the Facility is likely to be able to meet the Balancing Facility Requirements or those requirements as modified by the conditions or suspensions imposed by the IMO under clause 7A.1.8.~~

~~4.3.2 — Where a Balancing Facility does not meet one or more of the Balancing Facility Requirements to the extent that it is not able to receive or confirm and implement Dispatch Instructions so as to make a reliable contribution to system requirements in a timely manner, the IMO will remove the Market Participant's entitlement to be assigned Certified Reserve Capacity. The IMO may impose this particular condition in addition to any other condition or the granting of a suspension.~~

4.4.3 Other Conditions

4.4.14.3.1 Nothing in this Procedure limits the IMO's ability to impose additional or other conditions on Market Participants that are unable to comply with requirements in this Procedure.