



Surveillance and Compliance Monitoring Regime

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Overview

- **What** and **how** will the IMO monitor compliance with the new Balancing Market Rules?
 - What new things are being added to the market that require monitoring?
 - What current aspects of the market are being changed that now require greater monitoring?
- What **tools** will the IMO have to **enforce** Compliance
- How will perceived breaches be **followed up**
 - The “Steps of Escalation”

Concepts being removed – dispatch level related

- Removal of the following concepts:
 - UDAP & DDAP
 - Compliance penalty (for Verve); and
 - Net STEM Shortfall (dispatch related quantities)
- The removed Rules all relate to **automatic penalties** resulting from generators not maintaining the levels instructed by SM
- Failure to comply risks system security and will affect the balancing settlement outcomes

Concepts being removed – dispatch level related, Cont.

- The IMO will be monitoring the following market data to identify potential breaches of these Rules:
 - Out of Merit Quantities (settlement value);
 - Constrained on/off quantities and price
 - Dispatch instructions
 - SM advisories; and
 - Real time SCADA data.

Concepts being added – Balancing Submission related

- New requirements relating to Balancing Submissions
 - Balancing Submissions to reflect available capacity
 - Ability for generators to potentially “hide” Forced Outages
 - Generators must update Balancing Submissions to reflect constraints ASAP
 - Requirement for good faith bidding
- The new Balancing Market requires participants to make balancing submissions in-line with the above provisions to ensure that the most **efficient outcomes** are reached

Concepts being added – Balancing Submission related, Cont.

- The IMO will be monitoring the following market data to identify potential breaches of these Rules:
 - Timing of changes to Balancing Submissions
 - Outage declarations
 - STEM submissions
 - The reasons submitted by participants for changes after Gate Closure
 - Out of Merit Quantities (settlement value);

Concepts being added – New data provision requirements

- New requirements relating to new data provision requirements
 - Reliance on forecasts to guide Participants in bidding
 - Must meet balancing facility requirements
 - Greater reliance on accurate standing data
- The new Balancing Market (as with any market) will need **accurate and transparent information** as soon as possible to operate effectively

Concepts being added – New data requirements, Cont.

- The IMO will be monitoring the following market data to identify potential breaches of these Rules:
 - Standing data changes
 - Forecast accuracy
 - Forecasts from SM; and
 - In Participant Balancing Submissions
 - Information from participants on balancing (and LFAS) facility requirements

Concepts being added – dispatch outcomes related

- New requirements relating to dispatch outcomes:
 - Ex-post Pricing
 - All Participants to be available to SM for dispatch
 - SM required to use BMO in determining dispatch
- Pricing is to be set based on the BMO and Load intersection point – therefore it is essential that participants generate to the level expected for the pricing to be truly reflective of the cost of dispatch
- Participants will be making commercial and physical decision upon forecast information in preparation for real-time dispatch. As such dispatch needs to be in accordance with those forecasts, or explained why not well in advance.

Concepts being added – Dispatch outcomes related, Cont.

- The IMO will be monitoring the following market data to identify potential breaches of these Rules:
 - SCADA and meter data
 - Dispatch Instructions
 - Out of Merit Quantities (settlement value)
 - BMO
 - Responses to DI activation
 - SM informed DI and DO non-compliance
 - SM issued Dispatch Advisories

Compliance “Tools”

- Participants required to **Justify behaviour** if requested to
- **Discretionary** financial penalties will now replace automatic penalties
 - Removal of constrained on/off payments
 - “Operational testing”
- The IMO plans to make a number of the new clauses **civil penalty provisions**
- The IMO will **continuously monitor** the **accuracy** of information used in the balancing market and take **enforcement action** where necessary, including:
 - Fines
 - Removal of constrained on/off payments
 - Orders to develop compliance procedures
 - Operational testing

Steps of Escalation

- Potential breach identified from:
 - monitoring tools with pre defined metrics
 - Rule required SM identification
 - Formal channels of communication for Participants to lodge potential breaches; and/or
 - Identification of on going behaviour
 - SM reports
- Internal analysis of breach
- “please explain” letter issued if breach identification justified
- Analysis of participants response – if breach confirmed, raised to CEO and IMO Board
- Decision to:
 - Proceed to ERB;
 - Rules based compliance penalties; and/or
 - Formal warning