

Market Advisory Committee Agenda

Meeting No.	73
Location:	IMO Board Room, Level 17, 197 St Georges Terrace, Perth
Date:	Wednesday 25 th June 2014
Time:	2.00pm – 5.00pm

Item	Subject	Responsible	Time
1.	WELCOME	Chair	2 min
2.	MEETING APOLOGIES / ATTENDANCE	Chair	2 min
3.	MINUTES FROM MEETING 71	Chair	5 min
4.	ACTIONS ARISING	Chair	10 min
5.	MARKET RULES		
	a) Market Rule Change Overview	IMO	5 min
	b) PRC_2014_02: Removal of Facility Aggregation	IMO	20 min
	c) PRC_2014_03: Administrative Improvements to the Outage Process	IMO	20 min
	d) PRC_2014_04: Specific Transition Provisions for the 2014 Reserve Capacity Cycle	IMO	20 min
6.	DISCUSSION PAPERS		
	a) Discussion Paper: Reduced Frequency of Determining Energy Price Limits and the Maximum Reserve Capacity Price	IMO	20 min
	b) Discussion Paper: Provisional and Final Balancing Prices	IMO	15 min
	c) Discussion Paper: Modifying the Bilateral and STEM Submission Timetables	IMO	15 min

7.	MARKET PROCEDURES		
	a) Overview	IMO	5 min
8.	WORKING GROUPS		
	a) Overview and membership updates	IMO	5 min
9.	ELECTRICITY MARKET REVIEW UPATE	SIMON MIDDLETON	20 min
10.	GENERAL BUSINESS	IMO	5 min
11.	NEXT MEETING: Wednesday 13th August 2014		



INDEPENDENT
MARKET
OPERATOR

Market Advisory Committee

Minutes

Meeting No.	71
Location	IMO Board Room Level 17, 197 St Georges Terrace, Perth
Date	Wednesday 14 May 2014
Time	2:30 PM – 5:30 PM

Attendees	Class	Comment
Allan Dawson	Chair	
Kate Ryan	Compulsory – IMO	
Dean Sharafi	Compulsory – System Management	Proxy
Matthew Cronin	Compulsory – Western Power	Proxy
Will Bargmann	Compulsory – Synergy	
Shane Cremin	Discretionary – Generator	
Andrew Stevens	Discretionary – Generator	
Andrew Sutherland	Discretionary – Generator	
Michael Zammit	Discretionary – Customer	
Steve Gould	Discretionary – Customer	
Geoff Gaston	Discretionary – Customer	
Peter Huxtable	Discretionary – Contestable Customer Representative	
Simon Middleton	Minister's Appointee – Observer	
Elizabeth Walters	Economic Regulation Authority (ERA) – Observer	
Apologies	From	Comment
Phil Kelloway	Compulsory – System Management	
Shane Duryea	Compulsory – Western Power	
Also in attendance	From	Comment
Matthew Pember	System Management	Observer
Dean Frost	Western Power	Observer (2:30 PM – 3:30 PM)
Shibli Khan	ERA	Observer
Paul Hynch	Public Utilities Office	Observer

Jacinda Papps	Synergy	Observer
Richard Wilson	EnerNOC	Observer
Erin Stone	IMO	Presenter
Jenny Laidlaw	IMO	Presenter
Bryn Garrod	IMO	Presenter
Greg Ruthven	IMO	Observer
George Sproule	IMO	Observer
Courtney Roberts	IMO	Observer
Aditi Varma	IMO	Observer
Anne-Marie Foo	IMO	Observer
Laura Koziol	IMO	Observer and Minutes

Item	Subject	Action
1.	<p>WELCOME</p> <p>The Chair opened the meeting at 2:30 PM and welcomed incoming members to the 71st meeting of the Market Advisory Committee (MAC).</p>	
2.	<p>MEETING APOLOGIES / ATTENDANCE</p> <p>The following apologies were received:</p> <ul style="list-style-type: none"> • Shane Duryea (Compulsory – Network Operator) • Phil Kelloway (Compulsory – System Management) <p>The following proxies were noted:</p> <ul style="list-style-type: none"> • Dean Sharafi for Phil Kelloway (Compulsory – System Management) • Matthew Cronin for Shane Duryea (Compulsory – Network Operator) <p>The following presenters and observers were noted:</p> <ul style="list-style-type: none"> • Matthew Pember (Observer, System Management) • Dean Frost (Observer, Network Operator) • Shibli Khan (Observer, ERA) • Paul Hynch (Observer, Public Utilities Office) • Jacinda Papps (Observer, Synergy) • Richard Wilson (Observer, EnerNOC) • Erin Stone (Presenter, IMO) • Jenny Laidlaw (Presenter, IMO) • Bryn Garrod (Presenter, IMO) • Greg Ruthven (Observer, IMO) • George Sproule (Observer, IMO) • Courtney Roberts (Observer, IMO) • Aditi Varma (Observer, IMO) • Anne-Marie Foo (Observer, IMO) • Laura Koziol (Observer and Minutes, IMO) 	

3.	<p>MINUTES OF PREVIOUS MEETING</p> <p>The minutes of MAC Meeting No. 69, held on 19 March 2014, were circulated to members prior to the meeting.</p> <p>The following amendment was agreed:</p> <p>Section 13: page 13 of 13</p> <p>Dr Gould believed that the one material issue was the conflict of interest between the retailer's incentive to have the Individual Reserve Capacity Requirement as low as possible and the DSM aggregator to have it as high as possible so as not to restrict its Relevant Demand.</p> <p><i>Action Point: The IMO to amend the minutes of Meeting No. 69 to reflect the agreed changes and publish on the Market Web Site as final.</i></p>	IMO
4.	<p>ACTIONS ARISING</p> <p>The Chair invited Ms Kate Ryan to update the MAC on the current action items. The following points were noted:</p> <ul style="list-style-type: none"> • Item 2: Dr Steve Gould noted that he had met with Western Power to discuss the \$50 million insurance requirement but Western Power had not directly answered the question and instead referred him to published information. <p>Mr Matthew Cronin stated that Western Power typically negotiates the liability insurance as part of the Electricity Transfer Access Contract as approved in the ERA approved Access Arrangement and noted that the \$50 million figure was a starting point for negotiations. Mr Cronin offered to further discuss the matter separately with Dr Gould.</p> <p>The Chair requested further guidance from Western Power on the appropriate level of insurance coverage for a 160MW open cycle gas turbine, as is used to set the Maximum Reserve Capacity Price. Mr Cronin agreed to provide this advice at a future MAC meeting.</p> <ul style="list-style-type: none"> • Item 3: Ms Ryan noted that the IMO intended to circulate the pre Rule Change Proposal: Outages and the Application of Availability and Constraint Payments to Non Scheduled Generators (PRC_2013_16) to MAC members by the end of the week, giving them a couple of weeks for feedback before formally submitting into the Standard Rule Change Process. <p>Mr Shane Cremin asked for further engagement with Intermittent Generators prior to the circulation to MAC members.</p> <ul style="list-style-type: none"> • Item 4: Mr Cronin noted that Western Power's preference was to defer the discussion on constrained access to the grid to the Electricity Market Review (Review), noting that he understood that the Review would consider the merits of introducing a constrained grid model. <p>The Chair raised the concern that the introduction of priorities for dispatch of generators within a Competing Access Group (CAG) may contradict the economic order for dispatch in the Balancing Market and therefore impede System Management's ability to comply with the Balancing Merit Order as is required under the Wholesale Electricity Market Rules (Market Rules).</p>	

	<p>MAC members discussed the issue and raised the following points:</p> <ul style="list-style-type: none"> • Mr Cremin agreed with the Chair's concerns and noted that it was also his understanding that CAGs would be dispatched on a first come, first served basis and System Management would therefore disregard the Balancing Merit Order. However, he considered that there were not many such instances. • Ms Elizabeth Walters noted that the issue is more complex and should therefore be discussed more holistically as part of the Review. • Mr Dean Frost noted that the dispatch of generators within a CAG would not work on a first come, first served basis but instead using a constraint equation dependent on the Facility's contribution towards the constraint. However, Mr Frost affirmed that this could still contradict the Balancing Merit Order. • The Chair observed that an unconstrained grid model only works with a small number of constraints or run-back schemes that only bind infrequently. He questioned how System Management could dispatch generators within a CAG without following the Balancing Merit Order and without declaring a High Risk Operating State. • Mr Frost stated that Western Power planned to present a number of options for dealing with constraints to discuss with the IMO in the next two months and would then be in a position to discuss the options further with MAC members. • Mr Simon Middleton stated that the issue of constraints in the network would be considered as part of the Review. The Chair noted that the MAC could defer further discussion on the issue and reopen as an action item if it was not addressed in the recommendations of the Review. • Ms Jacinda Papps sought clarification from the IMO whether this would defer the pre Rule Change Proposal: PRC_2013_16 as it related to a constrained network model. Ms Ryan clarified that at this stage the IMO would continue working on the pre Rule Change Proposal. • Item 9: Mr Frost stated that the current single points of failure in the network are the Kemerton quad-booster and the Muja bus-tie transformer three, which are both important pieces of equipment and would require some time to repair or replace. Mr Frost noted that there were other single points of failure on the grid but they were relatively quick to repair and would not pose a major risk to the market. • Item 10: Ms Ryan noted that the financial impact of the Muja bus-tie transformer failures had been discussed in the presentation prior to the MAC meeting, thereby closing the action item. The Chair noted that, as agreed at the prior presentation, the IMO would engage with System Management to determine the financial impact of the transformer failures and provide forecast cost estimates based on the outcomes of that discussion. • Item 13: Ms Ryan clarified that the Market Rules allowed up to three business days for System Management to check the quality of the data used to calculate the final Balancing Price. Ms Ryan noted that 	
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	<p>System Management had indicated that it currently needs to revise data between one and three times a month. She added that the IMO is currently investigating how often the final Balancing Price varies from the Provisional Balancing Price and noted that the IMO would circulate the analysis upon completion.</p> <ul style="list-style-type: none"> • Item 16: Ms Ryan noted that, having discussed the item with Mr Geoff Gaston, the item regarding the licensing of DSM aggregators would be closed, and added that it may be considered as part of the Review. <p><i>Action Points:</i></p> <ul style="list-style-type: none"> • <i>Western Power to provide advice on the appropriate level of insurance coverage for the purposes of determining the Maximum Reserve Capacity Price.</i> • <i>The IMO to seek further feedback from Intermittent Generators and then circulate PRC_2013_16 to MAC members for feedback (existing Action Item 3 of 2014).</i> • <i>The IMO to engage with System Management to determine the financial impact of the transformer failures and provide forecast cost estimates based on the outcomes of that discussion.</i> • <i>The IMO to circulate analysis of the variance between the Provisional Balancing Price and the final Balancing Price to MAC members.</i> 	<p>Western Power</p> <p>IMO</p> <p>IMO / SM</p> <p>IMO</p>
<p>5a.</p>	<p>MARKET RULE CHANGE OVERVIEW</p> <p>Ms Ryan informed the MAC that the Minister had extended the timeline for the two Rule Change Proposals currently awaiting approval. The Chair clarified that these Rule Change Proposals were Incentives to Improve Availability of Scheduled Generators (RC_2013_09) and Harmonisation of Supply-Side and Demand-Side Capacity Resources (RC_2013_10).</p> <p>Ms Ryan also referred members to the summary of other Rule Change Proposals currently underway.</p> <p>Mr Middleton clarified that the Minister would prefer to avoid simultaneous processes and noted that in cases where Rule Change Proposals and the Review overlapped, the Review should address the issue with any necessary amendments to the Market Rules to be determined after the recommendations of the Review are understood. Mr Middleton indicated that he would meet with the IMO shortly to discuss how this applies to specific rule changes.</p>	
<p>5b.</p>	<p>PRC_2014_01: IMPROVEMENTS TO THE ENERGY MARKET</p> <p>The Chair invited Ms Jenny Laidlaw to present this agenda item. Ms Laidlaw noted that this pre Rule Change Proposal had been presented at the March 2014 MAC meeting and summarised the further amendments made to the proposal since that meeting. Ms Laidlaw informed MAC members that, subject to the MAC discussion, the IMO intended to submit the Rule Change Proposal into the formal process within the next month. She added that the IMO intended to extend the first submission period and other deadlines accordingly because of the size and complexity of the proposal. The extensions would also ensure that the IMO would only make its final decision until after the outcomes of the Review are understood. The Chair noted that the IMO was attempting to balance the resolution of</p>	

current issues that had a commercial impact, with the need to avoid any overlap with or duplication of issues addressed in the Review.

The following key points were discussed.

- Mr Middleton agreed with the Chair that the proposal appeared to be concerned with operational matters and was unlikely to overlap significantly with items considered as part of the Review. He asked whether Resource Plans were required by System Management to perform its functions. Ms Laidlaw replied that it was a non-binding estimate of how Independent Power Producers (IPPs) would run their Facilities to meet their Net Contract Position and their own consumption needs, and that System Management had indicated that opening the Balancing Horizon earlier was likely to give a more accurate picture. Mr Gaston observed that, from a Market Participant's perspective, Resource Plans were an unnecessary cost to the market in that they were no longer required but would nevertheless cost Market Participants money in the event of errors or failure of submission.
- Ms Laidlaw noted that the IMO continued to work with System Management on its concerns regarding proposed gate closure times. The Chair added that he and Mr Dean Sharafi had already initiated discussion on any transitional arrangements.
- Mr Andrew Sutherland expressed a concern about compliance with the requirement that a Balancing Submission should reflect cleared LFAS quantities, in particular when circumstances changed overnight. For example, where his Balancing Submission made on the basis of the forecast LFAS Merit Order was outbid or where System Management reduced the LFAS Quantity overnight, he would be unable to comply with the requirement to modify his Balancing Submission. Ms Laidlaw suggested that they discuss these concerns further offline. Ms Laidlaw noted that it would be difficult to achieve a reduction in the LFAS Quantity without allowing System Management to set the quantity as close as possible to the start of the Trading Interval.
- Mr Gaston made an observation related to Net STEM Shortfall refunds. He stated that the proposed amendments placed a new obligation on Market Participants and noted that potential non-compliance with this obligation could be costly. He noted that this posed an unnecessary risk on Market Participants. His view was that participation in the STEM should be optional. Ms Laidlaw replied that changes to the STEM were scheduled for consideration in a different piece of work. Ms Ryan added that previous discussions had concluded that moving Reserve Capacity Obligations from the STEM to the Balancing Market constituted a bigger piece of work which should be considered as part of the redesign of the STEM. Ms Laidlaw also noted that there were differing views as to whether the STEM should be optional for Market Participants. Mr Andrew Stevens agreed with Mr Gaston that Net STEM Shortfall refunds should be removed because Market Participants could bid themselves out of the STEM effectively making it optional, and it was a daily risk for no benefit to the market. Ms Ryan asked if a Standing STEM Submission could be used to mitigate the risk. Mr Stevens conceded that that

was the case and on that basis agreed that no change was needed at this time. Mr Gaston reiterated that his position had not changed.

- Mr Will Bargmann stated Synergy's view on the pre Rule Change Proposal. He supported the IMO's approach of delaying timelines where there was a risk of overlap with the Review. He asked if the IMO intended to produce a cost-benefit analysis to aid Rule Participants with their submissions on the proposal. Ms Ryan replied that estimating costs was one of the aims of the consultation process. Mr Sharafi said that in its entirety, the proposal would cost System Management \$1.3 million to \$1.5 million in capital expenditure and ongoing operating expenditure for an additional controller. Mr Sharafi expressed his appreciation of the IMO ensuring that potential implementation was consistent with the Review. In response to a query from Ms Papps on the IMO's costs for implementation, the Chair replied that the system had been built with flexible functionality to allow transitioning to shorter gate closure. He therefore did not consider the costs to be excessive.
- Mr Bargmann asked whether consideration had been given to System Management's use of the Balancing Market to provide Ancillary Services. The Chair replied that the Ancillary Services Review is addressing issues such as clarifying the definitions of the boundaries of STEM, Balancing, LFAS, Spinning Reserve and other Ancillary Services. Mr Sharafi asked whether the IMO intended to consider the co-optimisation of energy and Ancillary Services if the Review moved in this direction. The Chair replied that this would be a more sophisticated market model than the current one and suggested that it may be natural to include the co-optimisation of transmission network constraints at the same time. He noted that the IMO was not currently working on such a model but would do so if it was a recommendation from the Review.
- Mr Stevens observed that the delay between Synergy's and IPPs' deadlines for making LFAS and Balancing Submissions existed for reasons of market power. He considered that 30 minutes was not sufficient for IPPs to respond to changes in Balancing Submissions for the Balancing Portfolio, which made up the majority of total generation, and that 60 or 90 minutes would be more appropriate. Ms Laidlaw responded that Synergy would remain bound by its short run marginal cost obligations. This meant that material changes to Synergy's offers were likely to be caused by Outages, and the recent improvements to transparency of information around Outages had given Market Participants more time to respond to Outages.
- The Chair noted that the current restriction of four bids per day for Synergy was at Synergy's request. Mr Stevens expressed his opinion that simultaneously removing this restriction and reducing the delay between Synergy's and IPPs' bids would neither protect IPPs from Synergy's market power nor encourage Synergy to move Facilities out of the Balancing Portfolio. Mr Sutherland agreed that the proposal did not appear to provide any incentive for Synergy to break up the Balancing Portfolio. Ms Laidlaw noted that

	<p>Synergy had not yet nominated any Facilities to be Stand Alone Facilities. She observed that imposing earlier deadlines on Synergy would have an effect on the deadline for Market Participants requesting Planned Outages and for System Management finalising the LFAS Quantity. Ms Laidlaw considered that unbundling the Balancing Portfolio should be considered as an issue in itself.</p> <ul style="list-style-type: none"> • The Chair noted that the main reason that IPPs had shorter deadlines was that they did not offer their generation on a portfolio basis. A generation portfolio can absorb technical issues. He observed that Synergy did not currently update its submissions regularly throughout the day. Ms Papps said that Synergy did not have the resources to make regular submissions overnight. Ms Laidlaw queried whether there were any credible situations in which an IPP would suffer as a result of Synergy making submissions as proposed in the pre Rule Change Proposal. Mr Sutherland agreed that it was the existence of the Balancing Portfolio that gave Synergy a competitive advantage, not its submission deadlines. • Mr Stevens asked if Fuel Declarations would still be part of a STEM Submission. Ms Laidlaw replied that they would, as they were still needed by the IMO for compliance purposes, even though they were no longer needed by System Management. • Mr Sharafi asked if it would be easier to break each element of the proposal into a separate Rule Change Proposal. The Chair replied that the various issues were interconnected and that breaking the Rule Change Proposal up would cause problems. • Mr Sutherland asked what the verification processes were around the drafting of the Amending Rules, as most MAC members were unlikely to review these significant amendments in detail. Ms Ryan confirmed that several IMO employees were checking the drafting, including the legal team. In response to a suggestion from Ms Papps, the Chair noted that the IMO would welcome the opportunity to conduct a page-turn review of the proposed drafting with interested stakeholders. • The Chair concluded the discussion by reiterating that the IMO intended to progress the Rule Change Proposal under the proposed extended timeframes. He suggested that the process would be unlikely to be completed until next year at the earliest, when the recommendations of the Review should be known. Ms Papps requested that the first consultation period be arranged not to clash with the Review submission period and the Chair agreed. <p><i>Action Points:</i></p> <ul style="list-style-type: none"> • <i>The IMO to discuss with Mr Sutherland his concerns about meeting the requirement to make Balancing Submissions reflective of cleared LFAS quantities under the proposed amendments in the Rule Change Proposal: Improvements to the Energy Market (PRC_2014_01).</i> • <i>The IMO to arrange a page-turn review either before or during the first submission period.</i> 	<p>IMO</p> <p>IMO</p>
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	<ul style="list-style-type: none"> • <i>The IMO to submit the Rule Change Proposal: Improvements to the Energy Market (PRC_2014_01) into the Standard Rule Change Process, extending the timeframes to allow the IMO to consider the outcomes of the Review before publishing a Final Rule Change Report.</i> 	IMO
6.	<p>DRAFT SCOPE OF WORK: REVIEW OF RELEVANT LEVEL METHODOLOGY</p> <p>The Chair invited Ms Laidlaw to present an overview of the proposed scope for the review of the Relevant Level Methodology.</p> <p>The Chair noted that the IMO is required under the Market Rules to commence the review irrespective of the broader Review and was seeking guidance on the proposed scope of work. The Chair also noted that the implementation of any changes would be subject to the outcomes of the broader Review.</p> <p>Ms Ryan clarified that the review of the Relevant Level Methodology was primarily required to set the parameters K and U which are not currently set for future years and cannot wait for the outcomes of the Review.</p>	
7.	<p>IMO RULE CHANGE DEVELOPMENT WORKPLAN 2014</p> <p>The Chair noted that the workplan was developed to provide the Review team with an overview of the IMO's Market Rule development activities and other activities undertaken as required by the Market Rules. The Chair noted that the workplan had already been discussed.</p>	
8.	<p>MARKET PROCEDURES OVERVIEW</p> <p>Ms Ryan provided an update on the Market Procedures noting the key status updates were provided in red text in the paper.</p>	
9.	<p>WORKING GROUP OVERVIEW AND MEMBERSHIP UPDATES</p> <p>Ms Ryan distributed a paper with the Working Group membership updates.</p> <p>The Chair noted the following changes to the MAC Working Groups:</p> <ul style="list-style-type: none"> • Mr Adrian Theseira to replace Mr Brendan Clarke as System Management's representative on the IMO Procedure Change and Development Working Group; • Mr Mike Davidson to replace Mr Phil Kelloway as the Chair of the System Management Power System Operation Procedure (PSOP) Working Group; and • Mr Theseira to replace Mr Neil Hay as System Management's representative on the PSOP Working Group. <p>The Chair asked the MAC to endorse the proposed changes to the Working Groups. The MAC agreed to endorse the changes.</p>	
10.	<p>PRESENTATION: SPINNING RESERVE COST ALLOCATION</p> <p>The Chair invited Ms Erin Stone to present the analyses that the IMO had undertaken in response to Bluewaters Power's pre Rule Change Proposal on the allocation of Spinning Reserve Costs discussed at the</p>	

	<p>19 March 2014 MAC meeting. The following key points were discussed:</p> <ul style="list-style-type: none"> • Ms Stone presented a comparison of the financial outcomes of the four options that were considered by the IMO. • MAC members discussed the behavioural change that would also occur if the cost allocation method was to change. Mr Gaston noted that under the runway method of allocation, generators would be more likely to make low cost energy available because the risk of falling into a higher Spinning Reserve 'block' and therefore paying a significant amount more in Spinning Reserve costs would be minimised. Mr Stevens reiterated that the introduction of a runway method would necessarily result in changes to bidding behaviour and affect outcomes in the Balancing Market, but noted that this is almost impossible to model. • There was some discussion with respect to overall efficiency of Spinning Reserve costs. Ms Stone noted that this proposal would not affect the overall cost but instead changed the allocation between participants. • Ms Papps questioned the difficulty of implementing a runway method. The Chair noted that it would be simpler to implement than the current method and would allow for a more dynamic cost allocation. Ms Stone added that the IMO had partially developed the necessary changes when it undertook the analyses. • Mr Stevens noted that the IMO was currently publishing enough information that generators have a good understanding of what is expected to occur in a Trading Interval in the market and can already make reasonably accurate assumptions of Spinning Reserve costs. <p>The Chair noted that the IMO would continue discussions with Bluewaters Power to progress the proposed amendments.</p> <p><i>Action Point: The IMO to publish the presentation of the analyses of the proposed options for allocating Spinning Reserve Costs.</i></p>	<p>IMO</p>
<p>11.</p>	<p>GENERAL BUSINESS</p> <p>Modification of the STEM Window</p> <p>Ms Ryan invited Dr Bryn Garrod to provide a presentation on the possible modifications to the STEM timetable (Action Item 7).</p> <p>Dr Garrod reminded MAC members that Mr Stevens had asked at the previous MAC meeting if it was possible to open the STEM Submission window at 8:00 AM rather than 9:00 AM at minimal cost, given that it was anticipated that the STEM would be redesigned in the future. Dr Garrod noted that this had proven to be a difficult change to make because it would require significant changes to the timeframes for System Management's Outage planning processes. The IMO had consulted further with Mr Stevens on the problems that he was trying to solve.</p> <p>Dr Garrod presented a slide that demonstrated two possible timelines: one with an overlap of the Bilateral and STEM Submission windows and one without.</p> <p>The Chair proposed to give MAC members more time to consider the proposals and discuss them at the next MAC meeting.</p>	

<p>Mr Sutherland asked for more detail on why it was not possible to open the STEM Submission window earlier. Dr Garrod replied that the IMO needed to know what Outages System Management had approved for the next Trading Day, in order to calculate the Facility limits used to validate STEM Submissions. He further noted that opening the STEM Submission window earlier would require changes to System Management’s processes. Ms Laidlaw noted that these processes were complex and that the cost of changing them was likely to greatly outweigh any benefits from changing the timetable.</p>	
<p><i>Action Points:</i></p>	
<ul style="list-style-type: none"> • <i>The IMO to publish the slide demonstrating possible timelines for the Bilateral and STEM Submission processes.</i> 	<p>IMO</p>
<ul style="list-style-type: none"> • <i>The IMO to include an item on the agenda for the next MAC meeting for MAC members to discuss options for modifying the Bilateral and STEM Submission timetables.</i> 	<p>IMO</p>
<p>Overview of the recent Ministerial Direction to the IMO</p>	
<p>The Chair offered to provide an update on the recent Ministerial Direction regarding the deferral of the 2014 Reserve Capacity Cycle following the MAC meeting.</p>	
<p>Issue Paper: Review of the Electricity Industry Customer Transfer Code (Transfer Code)</p>	
<p>Ms Ryan noted that the Public Utilities Office (PUO) had recently released an Issues Paper on the Review of the Transfer Code. Ms Ryan highlighted that the review suggested a change from the use Trading Day to ‘day’ which would affect the operation of the market. Ms Stone clarified that the reason for the suggested change was to align the Transfer Code with the Electricity Industry Metering Code. Mr Paul Hynch offered to circulate further information on the Review of the Transfer Code to MAC members.</p>	
<p><u><i>Action Point: The PUO to provide information and contact details to MAC members for the Review of the Transfer Code and its submission process.</i></u></p>	<p>PUO</p>
<p>Notification of Network Constraints</p>	
<p>Mr Sutherland noted that Market Participants currently do not get any notice about network constraints that will impact their output apart from the Dispatch Instruction System Management issues at the time. He noted that this compromised a Market Participant’s bidding behaviour in the Balancing Market. The Chair asked if it would be possible for System Management to inform Market Participants about such an event in a notice prior to the Dispatch Instruction being issued.</p>	
<p>Mr Sharafi agreed to investigate the issue and noted that System Management would circulate a proposal to the MAC as soon as possible.</p>	
<p><i>Action Point: System Management to investigate the process for Out of Merit dispatch events and circulate a proposal to inform affected Market Participants about these events prior to the Dispatch Instruction being issued.</i></p>	<p>SM</p>
<p>CLOSED: The Chair declared the meeting closed at 5:30 PM.</p>	

Agenda item 4: 2014 MAC Action Points

Legend:

Shaded	Shaded action points are actions that have been completed since the last MAC meeting.
Unshaded	Unshaded action points are still being progressed.
Missing	Action items missing in sequence have been completed from previous meetings and subsequently removed from log.

#	Year	Action	Responsibility	Meeting arising	Status/Progress
2	2014	Dr Steve Gould to provide update on the progress of discussions with Western Power with respect to the public liability insurance amount in Electricity Transfer Access Contracts.	Steve Gould	Mar	Complete.
3	2014	The IMO to resolve the outstanding issues with those members who have raised concerns with respect to the definition of an Outage and circulate the proposal prior to submitting the Rule Change Proposal into the Standard Rule Change Process.	IMO	Mar	Closed. PRC_2013_16 is on hold pending the outcomes of the Electricity Market Review.
4	2014	Western Power to provide an overview of Western Power's current approach to constrained access to the grid at the next MAC Meeting.	Western Power	Mar	Deferred. To be considered as part of the Electricity Market Review.
9	2014	Western Power to provide information on any other single points of failure in the SWIS.	Western Power	Mar	Complete.
10	2014	The IMO to provide Market Participants with the expected financial impact of the Muja bus-tie transformer failure.	IMO	Mar	Complete.
13	2014	The IMO to clarify why the final Balancing Price can take up to three Business Days to calculate.	IMO	Mar	Complete.

#	Year	Action	Responsibility	Meeting arising	Status/Progress
16	2014	The IMO to discuss with Mr Gaston the priority of licensing DSM aggregators and include a discussion item on the agenda for the next MAC meeting if requested by Mr Gaston.	IMO	Mar	Complete.
17	2014	The IMO to amend the minutes of Meeting No. 69 to reflect the agreed changes and publish on the Market Web Site as final.	IMO	May	Complete.
18	2014	Western Power to provide advice on the appropriate level of insurance coverage for the purposes of determining the Maximum Reserve Capacity Price.	Western Power	May	In progress.
19	2014	The IMO to seek further feedback from Intermittent Generators and then circulate PRC_2013_16 to MAC members for feedback (related to existing Action Item 3 of 2014).	IMO	May	Closed. PRC_2013_16 is on hold pending the outcomes of the Electricity Market Review.
20	2014	The IMO to engage with System Management to determine the financial impact of the transformer failures at Muja and provide forecast cost estimates based on the outcomes of that discussion.	IMO/System Management	May	Awaiting forecast dispatch requirements for Vinalco from System Management.
21	2014	The IMO to circulate analysis of the variance between the Provisional Balancing Price and the final Balancing Price to MAC members.	IMO	May	Complete. Initial information circulated on 20 May 2014. Further analysis to be discussed at meeting – Agenda Item 6c.
22	2014	The IMO to discuss with Mr Sutherland his concerns about meeting the requirement to make Balancing Submissions reflective of cleared LFAS quantities under the proposed amendments in the Rule Change Proposal: Improvements to the Energy Market (PRC_2014_01).	IMO	May	In progress.
23	2014	The IMO to arrange a page-turn review either before or during the first submission period.	IMO	May	Closed. PRC_2014_01 is on hold pending the outcomes of the Electricity Market Review.
24	2014	The IMO to submit the Rule Change Proposal: Improvements to the Energy Market (PRC_2014_01) into the Standard Rule Change Process, extending the timeframes to allow the IMO to consider the outcomes of the Review before publishing a Final Rule Change Report.	IMO	May	Closed. PRC_2014_01 is on hold pending the outcomes of the Electricity Market Review.
25	2014	The IMO to publish the presentation of the analyses of the proposed options for allocating Spinning Reserve Costs.	IMO	May	Complete.

#	Year	Action	Responsibility	Meeting arising	Status/Progress
26	2014	The IMO to publish the slide demonstrating possible timelines for the Bilateral and STEM Submission processes.	IMO	May	Complete.
27	2014	The IMO to include an item on the agenda for the next MAC meeting for MAC members to discuss options for modifying the Bilateral and STEM Submission timetables.	IMO	May	Complete. To be discussed at meeting – Agenda Item 6d.
28	2014	The PUO to provide information and contact details to MAC members for the Review of the Transfer Code and its submission process.	PUO	May	Complete.
29	2014	System Management to investigate the process for Out of Merit dispatch events and circulate a proposal to inform affected Market Participants about these events prior to the Dispatch Instruction being issued.	System Management	May	In progress.
30	2014	The PUO to provide information and contact details to MAC members for the Review of the Transfer Code and its submission process.	PUO	May	Complete.

Agenda Item 5a: Overview of Market Rule Changes

Below is a summary of the status of Market Rule Changes that are either currently being progressed by the IMO or have been registered by the IMO as potential Rule Changes to be progressed in the future.

Rule changes: Formally submitted (see appendix 1)	18 th June 2014
Fast track with Consultation Period open	0
Standard Rule Changes with 1st Submission Period Open	0
Fast Track Rule Changes with Consultation Period Closed (final report being prepared)	0
Standard Rule Changes with 1st Submission Period Closed (draft report being prepared)	1
Standard Rule Changes with 2nd Submission Period Open	0
Standard Rule Changes with 2nd Submission Period Closed (final report being prepared)	2
Rule Changes – Awaiting Minister’s Approval and/or Commencement	0
Total Rule Changes Currently in Progress	3

The IMO has revisited its work program in light of the Electricity Market Review and the decision by the Minister to reject the Rule Change Proposals:

- Incentives to Improve Availability of Scheduled Generators (RC_2013_09); and
- Harmonisation of Supply-Side and Demand-Side Capacity Resources (RC_2013_10).

With respect to those Rule Change Proposals already considered by the MAC, the IMO has:

- extended the Final Rule Change Report for the Rule Change Proposal: Changes to the Reserve Capacity Price and the Dynamic Reserve Capacity Refunds Regime (RC_2013_20) to 31 December 2014;
- extended the Final Rule Change Report for the Rule Change Proposal: Limit to Early Entry Capacity Payments (RC_2013_21) to 31 December 2014;
- extended the Draft Rule Change Report for the Rule Change Proposal: Outages Planning Phase 2 – Outage Process Refinements (RC_2013_15) to 31 December 2014;

- deferred the formal submission of the pre Rule Change Proposal: Outages and the Application of Availability and Constraint Payments to Non-Scheduled Generators (PRC_2013_16); and
- deferred the formal submission of the pre Rule Change Proposal: Gate Closure Changes and Removal of Resource Plans (RC_2014_01),

on the basis that the IMO considers that these Rule Change Proposals are likely to overlap with issues considered as part of the Review and/or are likely to have significant implementation costs. The extension of the IMO's consideration of these proposed amendments will allow the consideration of the outcomes of the Electricity Market Review and any potential impacts.

The IMO has revised its 2014-15 workplan to focus on minor administrative and procedural changes to the rules and avoid any changes that are likely to have a significant implementation cost for any Rule Participant.

These items include:

- Rule Change Proposals submitted by parties other than the IMO;
- Reviews required by the Market Rules, including:
 - Review of Relevant Level Methodology (three yearly); and
 - Ancillary Services Review (five yearly); and
- Rule Change Proposals of an operational or administrative nature, which are not likely to be covered by the Review, including:
 - PRC_2014_02: Removal of Facility Aggregation;
 - PRC_2014_03: Administrative Improvements to the Outage Process;
 - PRC_2014_04: Specific Transitional Provisions for the 2014 Reserve Capacity Cycle;
 - PRC_2014_05: Reduced Frequency of Determining the Energy Price Limits and the Maximum Reserve Capacity Price;
 - PRC_2014_06: Removal of Resource Plans and Dispatchable Loads;
 - to review of the IMO's approach to managing market information;
 - to register the Western Power Network;
 - to clarify the Market Rules with respect to Tolerance Ranges; and
 - to correct minor and typographical errors in the Market Rules.

The IMO also intends to undertake preliminary work on more substantive changes (including priority items under the Market Rules Evolution Plan), to enable them to be progressed relatively quickly following the Electricity Market Review, if appropriate.

The IMO also notes that it keeps logs of potential issues that may require rule changes, minor and typographical issues and rule change suggestions that is updated on a regular basis. These logs form the basis of the IMO's future rule change work program, including development of the Market Rules Evolution Plan.

APPENDIX 1: FORMALLY SUBMITTED RULE CHANGES (Current as of 18th June 2014)**Standard Rule Change with First Submission Period Closed**

ID	Date submitted	Title	Submitter	Next Step	Date
RC_2013_15	24/12/2013	Outage Planning Phase 2 - Outage Process Refinements	IMO	Draft Rule Change Report published	31/12/2014

Standard Rule Change with Second Submission Period Closed

ID	Date submitted	Title	Submitter	Next Step	Date
RC_2013_20	10/01/2014	Changes to the Reserve Capacity Price and the Dynamic Reserve Capacity Refunds Regime	IMO	Final Rule Change Report published	31/12/2014
RC_2013_21	10/01/2014	Limit to Early Entry Capacity Payments	IMO	Final Rule Change Report published	31/12/2014



INDEPENDENT
MARKET
OPERATOR

Wholesale Electricity Market Pre Rule Change Proposal

Rule Change Proposal ID: RC_2014_02

Date received: TBA

Change requested by:

Name:	Paul Tetley
Phone:	08 9254 4381
Fax:	08 9254 4399
Email:	paul.tetley@imowa.com.au
Organisation:	IMO
Address:	Level 17, 197 St Georges Tce, Perth WA 6000
Date submitted:	TBA
Urgency:	Medium
Change Proposal title:	Removal of Facility Aggregation
Market Rule(s) affected:	2.17.1, section 2.30, 2.30B.11, 2.33.3, 4.23A.3, 4.23A.4, 5.3A.1, Appendix 1 and Appendix 2

Introduction

Market Rule 2.5.1 of the Wholesale Electricity Market (WEM) Rules (Market Rules) provides that any person (including the IMO) may make a Rule Change Proposal by completing a Rule Change Proposal form that must be submitted to the IMO.

This Rule Change Proposal can be posted, faxed or emailed to:

Independent Market Operator

Attn: Group Manager, Development and Capacity

PO Box 7096

Cloisters Square, Perth, WA 6850

Fax: (08) 9254 4339

Email: market.development@imowa.com.au

The IMO will assess the proposal and, within five Business Days of receiving this Rule Change Proposal form, will notify you whether the Rule Change Proposal will be further progressed.



In order for the proposal to be progressed, all fields below must be completed and the change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the Wholesale Market Objectives.

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;
- (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.

Details of the Proposed Rule Change

1. Describe the concern with the existing Market Rules that is to be addressed by the proposed Market Rule change:

Section 2.30 of the Market Rules allows a Rule Participant or an applicant for rule participation to register multiple Facilities as an aggregated Facility. Since the start of the market, only one participant has ever exercised its right to register aggregated Facilities. However, the Market Participant disaggregated the Facilities soon after.

It is difficult to identify the original rationale for permitting Facility aggregation, other than to avoid the scenario where individual turbines within a wind farm need to be separately registered.

Implementation of Facility aggregation capabilities in the Wholesale Electricity Market System (WEMS) is complex and has an impact on other components including STEM, Balancing, LFAS and Settlements. Furthermore, it is interlinked with manual processes such as Registration and the Assignment of Capacity Credits. During implementation and subsequent system updates, individual components of the system need to be developed, redesigned and tested for all possible scenarios to ensure functional cohesion with current systems for both aggregation and disaggregation. The IMO notes that the cost of on-going maintenance and system changes under a system that allows for aggregated Facilities could as much as double the cost and implementation time of some system changes with respect to Facilities, due to the additional development and testing requirements.

The IMO notes that in the absence of any successfully aggregated Facilities, it is difficult to recognise any advantages associated with the relevant Market Rules. Prior to the introduction of the Balancing Market, Market Participants may have perceived that benefits relating to bidding in STEM as an aggregated Facility may have provided operational

flexibility. However, with the introduction of the Balancing Market, those benefits are no longer advantageous due to the flexibility made available for Facilities to adjust day-ahead positions in the Balancing Market.

The IMO therefore considers that as no perceived benefits to Market Participants can be derived from these Market Rules, the continuation of Facility aggregation does not warrant the high costs of ongoing system changes and maintenance, as they pose unnecessary costs to the market.

The IMO also notes that the functionality introduced in the Rule Change Proposal: Capacity Credits and Facility Aggregation (RC_2008_10)¹ to allow Market Participants with aggregated Facilities to also aggregate Capacity Credits assigned to those Facilities (or reallocate Capacity Credits as a result of disaggregation) will become redundant. Together with the one attempted Facility aggregation, that Market Participant also aggregated its Capacity Credits but disaggregated them soon after.

The IMO also proposes to correct a minor and typographical error in the Market Rules.

Proposed Amendments

The IMO proposes to delete the clauses in section 2.30 of the Market Rules that relate to the ability for Rule Participants or applicants for rule participation to aggregate Facilities. The IMO also proposes to amend clauses 2.30B.11, 2.33.3, 5.3A.1, Appendix 1 and Appendix 2 that provide for scenarios where Facilities are aggregated and clause 2.17.1 to remove clauses 2.30.4 and 2.30.8 from the list of Reviewable Decisions.

In addition, the IMO proposes to delete clauses 4.23A.3 and 4.23A.4 to remove the ability for Market Participants to aggregate Capacity Credits.

Reviewable Decisions and Protected Provisions

The IMO notes that clauses 2.30.4 and 2.30.8 are listed as Reviewable Decisions under clause 2.17.1(j) of the Market Rules. Given that clause 2.17.1(j) is a Protected Provision which needs to be deleted as a result of the proposed amendments, clause 2.8.3 of the Market Rules requires the Amending Rules in this Rule Change Proposal to be approved by the Minister.

Consequential amendments to clause 1 of Schedule 2 of the *Electricity Industry (Wholesale Electricity Market) Regulations 2004* (Regulations) will also be required.

The IMO will engage with the Public Utilities Office to progress the proposed amendments.

2. Explain the reason for the degree of urgency:

The IMO considers that the proposed amendments are of medium urgency and proposes that this Rule Change Proposal be progressed through the Standard Rule Change Process. The impact of this Rule Change Proposal is to eliminate an unnecessary ongoing cost to the market of system changes and maintenance relating to Facility aggregation. The IMO therefore proposes to commence the proposed Amending Rules at its earliest convenience.

¹ Further information is available at http://www.imowa.com.au/RC_2008_10.

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)

2.17.1. Decisions by the IMO or System Management, as applicable, made under the following clauses are Reviewable Decisions:

...

(j) [Blank]clauses 2.30.4 and 2.30.8;

...

...

2.30. [Blank]Facility Aggregation

~~2.30.1. When registering facilities, a Rule Participant, or an applicant for rule participation, may apply to the IMO to allow the registration of two or more facilities as an aggregated facility.~~

~~2.30.1A. For each Capacity Year the IMO may only accept an application under clause 2.30.1 once with respect to each Facility.~~

~~2.30.2. Subject to clauses 2.30.5(a) to 2.30.5(c), Intermittent Generators operated by a single Market Participant that inject energy at a common network connection point and which, except for the operation of this clause 2.30.2, may be registered individually as Non-Scheduled Generators, must be aggregated as a single Non-Scheduled Generator.~~

~~2.30.3. [Blank]~~

~~2.30.4. The IMO must consult with System Management and the relevant Network Operator when assessing an application for Facility aggregation and inform the relevant Rule Participant whether the aggregation of the facilities is allowed.~~

~~2.30.5. The IMO must only allow the aggregation of facilities if, in its opinion:~~

~~(a) the aggregation will not adversely impact on System Management's ability to maintain Power System Security and Power System Reliability;~~

~~(b) adequate control and monitoring equipment exists for the aggregated Facility;~~

~~(c) none of the Facilities within the aggregated facility are subject to an Ancillary Service Contract or Network Control Service Contract that requires that Facility not be part of an aggregated facility;~~

~~(d) the aggregated facilities are at the same location or have the same Loss Factor; and~~

~~(e) System Management and the IMO will continue to be provided with the same Standing Data for each individual facility as before the facilities were aggregated.~~

- ~~2.30.6. If the individual Facilities forming part of an aggregated facility have their own meters, and there is no single meter for the entire aggregated facility, then the settlement meter data for the aggregated facility must be the sum of the meter readings for its component facilities. Subject to clause 2.30.7A, an aggregated facility which has been registered as a Facility is taken to be treated as a single Facility for the purpose of these rules.~~
- ~~2.30.7. If the IMO approves the aggregation of Facilities then, subject to clause 2.30.7A, that aggregated facility must be registered as a single Facility for the purpose of these Market Rules~~
- ~~2.30.7A. If the IMO approves the aggregation of Facilities of a Scheduled Generator then each individual facility in that aggregated Facility that injects energy at an individual network connection point to the South West interconnected system must be treated as an individual Facility for the purpose of determining the Reserve Share (p,t) values under Appendix 2.~~
- ~~2.30.8. Where the IMO considers, after consultation with System Management, that a change in one or more of the criteria in clause 2.30.5 means that an aggregated facility should no longer be aggregated, it must inform the relevant Rule Participant of the date on which the aggregated facility will be considered to have been disaggregated.~~
- ~~2.30.9. Except where clause 2.30.2 requires the aggregation of facilities, a Rule Participant with an aggregated facility may notify the IMO that it no longer wishes to operate the facility as an aggregated facility from a specified date.~~
- ~~2.30.10. Where an aggregated facility is disaggregated in accordance with clause 2.30.8 or 2.30.9:~~
- ~~(a) each disaggregated facility is registered as a separate facility for the purpose of these Market Rules from the date specified by the IMO or the Rule Participant, as applicable; and~~
 - ~~(b) the IMO may require the Rule Participant to provide Standing Data relevant to each disaggregated facility.~~
- ~~2.30.11. The IMO must document the facility aggregation and disaggregation process in the Registration Procedure, and:~~
- ~~(a) applicants for facility aggregation or disaggregation must follow that documented Market Procedure; and~~
 - ~~(b) the IMO and System Management must follow that documented Market Procedure when processing applications for facility aggregation and disaggregating previously aggregated facilities.~~

...

2.30B.11. The generation system described in clause 2.30B.2(a) is deemed to satisfy the requirements of clause 2.30B.2(a)(i) if it is located at a different connection point to that of the Load to which clause 2.30B.2 pertains and all of the following conditions are satisfied prior to the Load or part of the Load commencing to be an Intermittent Load:

...

(~~f~~e) the generation system must be constructed with the intention of serving the Intermittent Load; and

(~~g~~) ~~the generation system must not be part of an Aggregate Facility with other generation systems; and~~

(~~h~~f) the IMO was notified of the use of such a generation system to serve the Intermittent Load in accordance with clause 4.5.3A(b)(iii) prior to the registration of that Intermittent Load.

...

2.33.3. The IMO must prescribe a Facility registration form that requires an applicant for Facility registration to provide the following:

...

(c) for each Facility to be registered:

...

v. [Blank]if the Facility is aggregated or not and details of any proposed aggregation;

...

...

~~4.23A.3. If at any time a Market Participant holds Capacity Credits with respect to a facility (the “primary facility”) that must be registered as more than one Registered Facility, either as a result of Facility aggregation not being approved by System Management or being revoked, then the IMO may re-allocate the Certified Reserve Capacity, Capacity Credits and Reserve Capacity Obligation Quantities of the primary facility between the primary facility and the Registered Facilities subject to the conditions that:~~

~~(a) the Registered Facilities were documented in the original application for Certified Reserve Capacity as contributing to the capacity covered by those Capacity Credits;~~

~~(b) the IMO must not allocate more Certified Reserve Capacity, Capacity Credits or Reserve Capacity Obligation Quantity to a Registered Facility than that Registered Facility can provide based on information provided in the original application for Certified Reserve Capacity for the primary facility;~~

- ~~(c) — after the re-allocation the total Certified Reserve Capacity, the total number of Capacity Credits and the total Reserve Capacity Obligation Quantities, respectively, of the primary facility and the Registered Facilities must equal the Certified Reserve Capacity, the number of Capacity Credits, and the Reserve Capacity Obligation Quantity immediately prior to the re-allocation; and~~
- ~~(d) — the IMO must consult with the applicable Market Participant and give consideration to its preferences in the re-allocations to the extent allowed by clause 4.23A.3(a), (b) and (c).~~

~~4.23A.4. If at any time a Market Participant holds Capacity Credits with respect to Registered Facilities, for which the IMO has approved aggregation as a single aggregated facility in accordance with clause 2.30.7, then the IMO may re-allocate the Certified Reserve Capacity, Capacity Credits and Reserve Capacity Obligation Quantities of the Registered Facilities to the aggregated facility subject to the conditions that:~~

- ~~(a) — the information submitted with the application for aggregation must demonstrate that the aggregated facility can at all times meet the sum of the full Reserve Capacity Obligation Quantities of the Registered Facilities;~~
- ~~(b) — the IMO must allocate to the aggregated facility the Certified Reserve Capacity, Capacity Credits and Reserve Capacity Obligation Quantity it can provide based on information provided in the original application for Certified Reserve Capacity for the Registered Facilities;~~
- ~~(c) — after the re-allocation the Certified Reserve Capacity, the number of Capacity Credits and the Reserve Capacity Obligation Quantities of the aggregated facility must equal the sum of the Certified Reserve Capacities, the total number of Capacity Credits, and the sum of the Reserve Capacity Obligation Quantities immediately prior to the aggregation; and~~
- ~~(d) — the Capacity Credits and the Reserve Capacity Obligation Quantities of the aggregated facility must at all times be capable of being disaggregated in accordance with clause 4.23A.3.~~

...

5.3A.1. When a Network Operator has entered into a Network Control Service Contract with a Market Participant, the Network Operator must as soon as practicable and not less than 20 Business Days prior to a Network Control Service Contract taking effect, provide the IMO with:

...

- ~~(c) a unique identifier for the Network Control Service Contract; and~~
- ~~(d) the period over which the services are to be provided by the Network Control Service Contract; and~~
- ~~(e) whether the Network Control Service Contract requires that the Facility not be part of an aggregated Facility.~~

...

Appendix 1: Standing Data

...

- (k) for each Registered Facility:
 - i. Reserve Capacity information including:
 - ...
 - 7. for each Short Term Special Price Arrangement and Long Term Special Price Arrangement associated with the facility, the number of Capacity Credits covered, the Special Reserve Capacity Price to be applied, and the expiration date and time of the Special Price Arrangement;
 - ii. Network Control Service information including:
 - 1. the identity of any Network Operator that has entered into a Network Control Service Contract in relation to the Facility; and
 - 2. the unique identifier for any Network Control Service Contract applicable to the Facility provided by a Network Operator in accordance with clause 5.3A.1(c); and
 - 3. ~~whether the Facility is subject to a Network Control Service Contract that requires the Facility not to be part of an aggregated Facility; and~~

...

...

Appendix 2: Spinning Reserve Cost Allocation

...

- ~~If facility f is a Scheduled Generator that is the sum of more than one aggregated Facility, each with an interval meter and each injecting energy at an individual network connection point to the South West interconnected system, then each individual Facility is treated as an individual Scheduled Generator under Appendix 2.~~

...

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

The IMO considers that the proposed amendments in this pre Rule Change Proposal better achieve Wholesale Market Objective (d) and are consistent with the remaining Wholesale Market Objectives.

(d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system

The IMO considers that the proposed amendments will better achieve Wholesale Market Objective (d) by removing the ongoing cost of system changes and maintenance of an unnecessary service to the market where there are no commensurate benefits derived.

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

Costs:

The IMO expects to incur minor costs to modify the WEMS to disable the Facility aggregation and disaggregation features. It is estimated that this will be around \$5,000.

Benefits:

The IMO expects to make annual savings in maintenance costs of approximately \$15,000. This is because at each WEMS release, these features will now not need to be regression tested and therefore reduces combination testing of Facility related features such as Registration.

In addition, the IMO also considers that Facility aggregation would (in the absence of this Rule Change Proposal) continue to impact most rule changes that require system changes. Those changes would have to be tested with aggregation and disaggregation as well as ordinary Facilities, and as such this process increases the cost of each of these rule changes.

The IMO therefore expects ongoing operational savings with the removal of this unnecessary functionality.

6. Implementation

The IMO will need to undertake minor system changes and testing to remove the functionality for Facility aggregation.

This Rule Change Proposal will also result in changes to Market Procedures.

As the proposed Amending Rules contain changes to Protected Provisions as a result of the removal of Reviewable Decisions in clause 2.17.1(j) of the Market Rules, Ministerial approval will be required.

Consequential amendments to clause 1 of Schedule 2 of the Regulations will also be required.

The IMO will engage with the Public Utilities Office to progress this Rule Change Proposal.

Agenda Item 5c: Administrative Improvements to the Outage Process (PRC_2014_03)

1. BACKGROUND

The IMO has delayed the progression of various Rule Change Proposals to allow it an opportunity to assess whether the outcomes from the State Government's Electricity Market Review will have any potential impacts on these proposals. However, the IMO considers that proposed amendments that will benefit the market and which involve minimal costs to the market, should be progressed prior to the completion of the Electricity Market Review.

On this basis, the IMO has included in this pre Rule Change Proposal various proposed amendments from the pre Rule Change Proposal: Outages and the Application of Availability and Constraint Payments to Non-Scheduled Generators (PRC_2013_16), and a number of newly proposed amendments following a review of the Consequential Outage process.

2. RECOMMENDATIONS

The IMO recommends that the MAC:

- **Discuss** the proposed amendments to the Consequential Outage process contained in clauses 3.21.2, 3.21.8, 3.21.9, 3.21.10 and 3.21.11 of the Market Rules;
- **Note** that the majority of the proposed amendments have already been discussed by MAC members as they formed part of PRC_2013_16; and
- **Note** that the IMO intends to formally submit the revised proposal into the Standard Rule Change Process, subject to the consideration of any comments from the MAC.



INDEPENDENT
MARKET
OPERATOR

Wholesale Electricity Market Pre Rule Change Proposal

Rule Change Proposal ID: RC_2014_03

Date received: TBA

Change requested by:

Name:	Allan Dawson
Phone:	9254 4333
Fax:	9254 4399
Email:	allan.dawson@imowa.com.au
Organisation:	IMO
Address:	Level 17, 197 St Georges Terrace, Perth 6000
Date submitted:	TBA
Urgency:	2-medium
Change Proposal title:	Administrative Improvements to the Outage Process
Market Rule(s) affected:	3.21.2, 3.21.2A (new), 3.21.3, 3.21.4, 3.21.5, 3.21.6, 3.21.7, 3.21.8, 3.21.9, 3.21.10, 3.21.11, 3.21.12 and 7.13.1A

Introduction

Market Rule 2.5.1 of the Wholesale Electricity Market Rules provides that any person (including the IMO) may make a Rule Change Proposal by completing a Rule Change Proposal form that must be submitted to the IMO.

This Rule Change Proposal can be posted, faxed or emailed to:

Independent Market Operator

Attn: Group Manager, Development and Capacity

PO Box 7096

Cloisters Square, Perth, WA 6850

Fax: (08) 9254 4339

Email: market.development@imowa.com.au

The IMO will assess the proposal and, within 5 Business Days of receiving this Rule Change Proposal form, will notify you whether the Rule Change Proposal will be further progressed.



In order for the proposal to be progressed, all fields below must be completed and the change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the Wholesale Market Objectives.

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;
- (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.

Details of the Proposed Rule Change

1. Describe the concern with the existing Market Rules that is to be addressed by the proposed Market Rule change:

Amendments to the Consequential Outage Process

In 2010 Alinta submitted the Rule Change Proposal: Consequential Outage – Relief From Capacity Refund and Unauthorised Deviation Penalties (RC_2010_23¹) to prevent the situation where a Market Participant who had experienced a Consequential Outage would be liable for paying Capacity Cost Refunds and unauthorised deviation penalties.

During the rule change process for RC_2010_23, System Management noted that, under Alinta's proposed amendments, there was the potential for Market Participants to 'game' the arrangements by either claiming a Forced Outage as a Consequential Outage, or else exaggerating the impact of the Consequential Outage on the Facility's ability to meet its obligations. This was because in some cases establishing a link of causality between events or circumstances on the SWIS and a Market Participant's submissions to System Management in relation to a particular Outage event may have been difficult or in some cases impossible.

System Management suggested several additional clauses to strengthen governance with respect to the Consequential Outage process and establish increased accountability regarding a Market Participant's Outage submissions to System Management. The additional clauses were incorporated into the Rule Change Proposal and have resulted in the following Consequential Outage process:

¹ Available on the Market Web Site: www.imowa.com.au/RC_2010_23.

1. A Market Participant that has experienced a Consequential Outage is required to log a Forced Outage in the first instance;
2. Within 15 calendar days following the Trading Day on which the Consequential Outage commenced, if the relevant Market Participant wishes to have its Forced Outage converted to a Consequential Outage it must provide an authorised notice declaring that a Consequential Outage has occurred and providing relevant details (to the best of its knowledge) of the events which resulted in the Consequential Outage;
3. System Management must accept the information provided by the Market Participant unless it is aware of information to the contrary, and convert the Forced Outage to a Consequential Outage; and
4. System Management must retain the authorised notices which it receives and provide these to the IMO upon request, and in any case, at least every six months.

In the Final Rule Change Report for RC_2010_23, the IMO proposed to conduct a review of the Consequential Outage notifications received, six months after the commencement of the Rule Change Proposal, with the assistance of System Management. The review was also to consider whether additional amendments to the Market Rules were required (e.g. with respect to introducing periodic Consequential Outage reviews or changing governance arrangements etc).

The IMO has recently completed this review, and as a part of this process consulted with System Management to identify whether a more efficient Consequential Outage process is possible. During this consultation it was identified that System Management is able to determine whether, and to what extent, a Consequential Outage has occurred without requiring an authorised notice to be provided by the affected Market Participant.

The IMO therefore proposes to remove the requirement for Market Participants to provide an authorised notice to System Management and to allow Market Participants to request Consequential Outages directly through the Market Participant Interface (MPI) (rather than initially logging a Forced Outage which System Management later converts to a Consequential Outage). The IMO proposes to amend clauses 3.21.2, 3.21.8, 3.21.9, 3.21.10 and 3.21.11 of the Market Rules to enable the following streamlined Consequential Outage process:

1. A Market Participant requests a Consequential Outage directly through the MPI; and
2. System Management approves or rejects the Consequential Outage in the MPI on the basis of the information it has available to it.

Amendments from PRC 2013 16

Logging of an Outage in Advance

The Market Rules currently do not consider the ability for a Market Participant to log a Consequential Outage in advance of the Outage occurring. The ability for a Market Participant to log an Outage in advance will improve the transparency of Facility availability and thereby improve the price signals to other Market Participants.

The IMO proposes to amend clauses 3.21.2, 3.21.3 and 3.21.4 of the Market Rules and introduce the new clause 3.21.2A which will enable, but not require, Market Participants to log Outages as soon as the participant is notified of an Outage by the Network Operator or other Rule Participant, and System Management to approve such Outages in advance.

Provision of Quantities by the IMO to System Management for the Calculation of Outages

Clause 3.21.6(e) of the Market Rules requires the IMO to provide System Management with the Reserve Capacity Obligation Quantity (RCOQ) for each Facility as currently applicable. This is to be used in System Management's calculation of the Outage quantity for Scheduled Generators.

However, practically, the IMO cannot determine in advance of a Trading Interval each Facility's RCOQ. For example, the RCOQ must account for factors including temperature and Outage quantities which may restrict the ability of the Facility to provide energy at any particular point in time. While it is not practical for either the Market Participant to provide the IMO with this type of information, or the IMO to be considering it with respect to the capability of the Facility, it is also not necessary.

To date, the IMO has provided System Management with each Facility's MW value of Capacity Credits rather than its RCOQ. While there is a difference between the two values, it is not expected to result in significantly different outcomes for the purpose of calculating a Scheduled Generator's Outage values or its Certified Reserve Capacity.

The IMO therefore proposes to amend clause 3.21.6(e) of the Market Rules to align to current practice, by requiring the IMO to provide System Management with each Facility's MW value of Capacity Credits, rather than its RCOQ. In addition, the IMO proposes to amend clause 3.21.6 of the Market Rules to clarify that these calculations apply only to Scheduled Generators.

It should be noted that this amendment will align the Market Rules to current operational practices and therefore will not impact market outcomes.

Quantity of De-Rating for a Non-Scheduled Generator

Clause 3.21.4 of the Market Rules outlines the information that must be provided to System Management with respect to the notification of a Forced Outage or Consequential Outage. This includes the time the Outage commenced, an estimate of the time the Outage is expected to end, the cause of the Outage, the Facility or items affected and the expected quantity of the Outage.

However, currently clause 3.21.4(e) of the Market Rules can only be applied to Scheduled Generators, as the quantity of an Outage is calculated in accordance with clause 3.21.5 of the Market Rules, which requires the quantity to be determined with respect to a Facility's maximum capacity as adjusted using the Standing Data for temperature dependence in Appendix 1(b)(iv). This section of Appendix 1 outlines the Standing Data required for Scheduled Generators only, resulting in ambiguity about how to determine the quantity of any reduction in capacity of a Non-Scheduled Generator for the purposes of Outage calculations.

Similarly, clause 3.21.6 of the Market Rules provides the process by which System Management determines the MW reduction of a Facility's output as the result of an Outage. Currently, Market Participants enter an Outage quantity on a sent out basis at 15 degrees Celsius. System Management then converts the quantity to a sent out basis at 41 degrees Celsius and adjusts it based on the Facility's RCOQ (to be changed to Capacity Credits). System Management then calculates the total MW quantity of Forced, Planned and Consequential Outages for each Facility under clauses 3.21.6(b) to (d) and provides this to the IMO as required under clauses 7.3.4 and 7.13.1A(b) of the Market Rules. However, the application of clause 3.21.6 to a Non-Scheduled Generator is currently inappropriate

because Non-Scheduled Generators have an RCOQ of zero. This produces negative values, which, under clause 3.21.6(b) to (d) would result in Outage quantities of zero by way of System Management taking the greater of the calculated value and zero. This will continue to provide analogous results under the proposed approach of moving to Capacity Credits, as Non-Scheduled Generators are certified for significantly less Capacity Credits than their maximum capacity. This will continue to be a problem where the MW reduction in the output of a Facility is greater than its Capacity Credits.

The IMO proposes to amend clause 3.21.5 of the Market Rules to clarify how this currently applies to Non-Scheduled Generators. The proposed Amending Rules require the quantity of the reduction in capacity of a Non-Scheduled Generator to be calculated by reference to its Sent Out Capacity.

It should be noted that this amendment will align the Market Rules to current operational practices and therefore will not impact market outcomes.

The IMO has also taken the opportunity to propose further changes to clause 3.21.5 of the Market Rules to provide clarity on the Outage quantity required to be logged, by specifying that the quantity is the average reduction in capacity over the Trading Interval. This is not a new requirement but its inclusion will avoid any potential confusion and ensure that all Market Participants provide consistent Outage quantities.

Provision of Outage Quantities by System Management to the IMO for Certification

Currently, System Management provides Outage quantities for each Facility for each Trading Interval to the IMO as temperature adjusted values (at 41 degrees Celsius) under clause 7.13.1A of the Market Rules. This means that the IMO often does not know the total MW quantity of the reduction associated with an Outage.

To ensure that the IMO can consider a Facility's availability in the certification process, the IMO also requires Outage quantities to be provided on a sent out basis at 15 degrees Celsius for each Trading Interval.

The IMO proposes to amend clause 7.13.1A of the Market Rules to require System Management to provide the MW quantity of the reduction in a Facility's capacity for each Facility for each Trading Interval on a sent out basis at 15 degrees Celsius, for both Scheduled and Non-Scheduled Generators, together with the temperature adjusted values currently provided for Scheduled Generators.

The IMO will also work with System Management to review section 8.1 of the Power System Operation Procedure (PSOP): Dispatch to assess whether further clarity on calculation of the expected quantity of an Outage for a Non-Scheduled Generator can be provided.²

Clarification of the timeframes for providing information of Outages to System Management

Clause 3.21.7 of the Market Rules provides the timeframe under which Market Participants or Network Operators must provide 'full and final details' of the relevant Planned, Forced or Consequential Outage to System Management. However, for an Outage that spans multiple Trading Days, based on the current drafting, it is unclear on which Trading Day the 15 day timeframe should start.

Furthermore, the obligation to provide 'full and final details' of an Outage no later than

² It should be noted that that the Rule Change Proposal: Correction of Estimated Output of Intermittent Generation for Purposes of Appendix 9 (RC_2013_17) also addressed this issue, to the extent that it affects the certification of Intermittent Generators.

15 calendar days following the Trading Day on which the Outage commenced is impractical as this information may not yet exist for Outages that extend for more than the 15 days. For example, if an Outage is expected to continue for 20 days, a Market Participant cannot be expected to provide 'full and final details' of the entire Outage before it is finished.

The IMO proposes that, given its reference to 'full and final details', clause 3.21.7 of the Market Rules should be amended to specifically refer to a particular Trading Day affected by the Outage. This provides Market Participants with the ability to update the Outage information for each affected Trading Day on a rolling basis until the conclusion of the Outage, but retains the requirement to provide final details for each affected Trading Day within the 15 day timeframe.

Other Minor Amendments

The IMO has also taken the opportunity to make minor administrative amendments to clauses 3.21.5, 3.21.7, 3.21.8, 3.21.10, 3.21.11, 3.21.12 to improve the integrity of the Market Rules.

Protected Provisions, Reviewable Decisions and Civil Penalties

The IMO notes that under the *Electricity Industry (Wholesale Electricity Market) Regulations 2004* (Regulations), clause 3.21.4 of the Market Rules is subject to a Category C civil penalty. The IMO considers that under the proposed Amending Rules it is still appropriate for this clause to remain a Category C civil penalty provision as the intent of the obligation in this clause has not changed. The IMO does not consider that there is a need for any proposed new clauses to be subject to civil penalties.

This pre Rule Change Proposal does not amend, remove or add Protected Provisions under clause 2.8.13 of the Market Rules or Reviewable Decisions under the Regulations.

The IMO will engage with the Public Utilities Office to progress this Rule Change Proposal.

2. Explain the reason for the degree of urgency:

The IMO proposes that this Rule Change Proposal be progressed via the Standard Rule Change Process. The IMO considers that proposed amendments that will benefit the market and which involve minimal costs to the market, should be progressed prior to the completion of the State Government's Electricity Market Review.

3. Provide any proposed specific changes to particular Rules: (for clarity, please use the current wording of the Rules and place a ~~strike through~~ where words are deleted and underline words added)

3.21. Forced Outages and Consequential Outages

3.21.2. A Consequential Outage is an Outage ~~that~~ of either a Facility or item of equipment on the list described in clause 3.18.2 or a facility or generation system to which clause 3.18.2A relates, for which no approval was received from System Management, but which System Management determines:

- (a) was or will be caused by a Forced Outage to another Rule Participant's equipment and would not have occurred if the other Rule Participant's equipment did not suffer a Forced Outage; or

- (b) was or will be caused by a Planned Outage to a Network Operator's equipment and would not have occurred if the Network Operator's equipment did not undertake the Planned Outage;

~~but excludes any outage deemed not to be a Consequential Outage in accordance with clause 3.21.10.~~

3.21.2A. System Management must determine, as soon as reasonably practicable, whether an Outage is a Consequential Outage.

3.21.3. System Management must keep a record of all Forced Outages and Consequential Outages of which it ~~is~~ becomes aware.

3.21.4. If a Facility or item of equipment that is on the list described in clause 3.18.2 or a Facility or generation system to which clause 3.18.2A relates is affected or likely to be affected by ~~suffers~~ a Forced Outage or Consequential Outage, then the relevant Market Participant or Network Operator must inform System Management of that ~~e~~ Outage as soon as practicable, which may be before the Outage occurs. Information provided to System Management must include:

- (a) the time the ~~e~~ Outage is expected to commence, or did commenced;
- (b) an estimate of the time the ~~e~~ Outage is expected to end;
- (c) the cause of the ~~e~~ Outage;
- (d) the Facility or item of equipment or Facilities or items of equipment affected; and
- (e) for each affected Facility or item of equipment, the expected quantity of any de-rating by Trading Interval, where, if the Facility is a generating system, this quantity is to be submitted in accordance with clause 3.21.5.

3.21.5. The quantity of an Outage notification submitted to System Management;

- (a) for a Scheduled Generator, is the reduction in capacity from the relevant Facility's Sent Out Capacity measured on a sent out basis at adjusted to 41 degrees Celsius where the maximum capacity is as found using the information provided in the Standing Data file for Temperature Dependence provided under Appendix 1(b)-(iv) measured as an average over the Trading Interval and converted to a sent out basis at 41 degrees Celsius. The remaining capacity, determined as the maximum capacity minus the notified outage, must be available to System Management for dispatch; and
- (b) for a Non-Scheduled Generator, is the reduction in capacity from the relevant Facility's Sent Out Capacity measured as an average over the Trading Interval.

3.21.6. The following will apply for a Scheduled Generator for the purposes of clauses 7.3.4 and 7.13.1A-(b):

- (a) outage data will be entered by Market Participants in System Management's computer interface system on a sent out basis at 15 degrees Celsius System Management will use the Outage data entered by Market Participants in System Management's computer interface system on a sent out basis at 15 degrees Celsius and, in addition, convert the outage data to a sent out basis at 41 degrees Celsius by multiplying the outage quantity at 15 degrees Celsius by the ratio of the maximum capacity at 41 degrees Celsius to the maximum capacity at 15 degrees Celsius for the Facility as found in the Standing Data file for temperature dependence provided under Appendix 1(b)-(iv) on a generated basis for that facility. Market Participants will submit the outage data at 41 degrees Celsius as displayed by System Management's computer interface system;
- (b) System Management will calculate the Forced Outage (~~on a sent out basis at 41 degrees Celsius~~) for a Facility in a Trading Interval as the greater of:
- i. zero; and
 - ii. the sum of all Forced Outages notified for that Facility minus the difference of the Facility's ~~maximum Sent Out Ceapacity~~ and its Reserve Capacity Obligation Quantity MW value of Capacity Credits;
- (c) System Management will calculate the Planned Outage (~~on a sent out basis at 41 degrees Celsius~~) for a Facility in a Trading Interval as the greater of:
- i. zero; and
 - ii. the sum of all Planned Outages minus the greater of:
 1. zero; and
 2. the ~~maximum Sent Out Ceapacity~~ of the Facility minus its Reserve Capacity Obligation Quantity MW value of Capacity Credits minus the sum of all Forced Outages notified for the Facility before the adjustment in (b) above is made by System Management;
- (d) System Management will calculate the Consequential Outage (~~on a sent out basis at 41 degrees Celsius~~) for a Facility in a Trading Interval as the greater of:
- i. zero; and
 - ii. the sum of all Consequential Outages minus the greater of:
 1. zero; and
 2. the ~~maximum Sent Out Ceapacity~~ of the Facility minus its Reserve Capacity Obligation Quantity MW value of Capacity Credits minus the sum of all Forced Outages and the sum of all Planned Outages notified for the Facility before the adjustments in (b) and (c) above are made by System Management;

- (e) the IMO will provide System Management ~~the Reserve Capacity Obligation Quantity of a~~ MW quantity corresponding to the number of Capacity Credits assigned to each Facility as currently applicable;
- (f) ~~the maximum capacity used in this clause is the value defined in clause 3.21.5.~~
- 3.21.7. Notwithstanding the requirements of clause 3.21.4 that a relevant Market Participant or Network Operator must inform System Management of a Forced Outage or Consequential Outage as soon as practicable, a Market Participant or Network Operator must provide full and final details of the relevant Planned Outage, Forced Outage or Consequential Outage to System Management no later than ~~15~~fifteen calendar days following ~~each the~~ each the Trading Day on which the Outage occurred or continued to occur.
- 3.21.8. ~~[Blank]If a Market Participant considers that one of its Facilities has suffered a Consequential Outage then the Market Participant may provide System Management with a notice confirming details of the Consequential Outage no later than 15 calendar days following the Trading Day on which the Consequential Outage commenced. The notice must:~~
- (a) ~~be signed by an Authorised Officer of the Market Participant;~~
- (b) ~~confirm that a Consequential Outage has occurred; and~~
- (c) ~~provide details (to the best of its knowledge) of the events which resulted in the Consequential Outage.~~
- 3.21.9. In its determination of a Consequential Outage under clause 3.21.2, System Management must accept the information provided by a Market Participant under clause 3.21.4~~8~~ unless the information is inconsistent with other information held by System Management.
- 3.21.10. ~~[Blank]If a Market Participant informs System Management of a Consequential Outage under clause 3.21.4, but does not provide System Management with a notice in accordance with clause 3.21.8, then the outage will be deemed not to be a Consequential Outage and System Management must not include the outage as a Consequential Outage in the schedule provided to the IMO in accordance with clause 7.13.1A(b).~~
- 3.21.11. ~~[Blank]System Management must retain the notices it receives under clause 3.21.8, and must provide copies to the IMO:~~
- (a) ~~if requested by the IMO; and~~
- (b) ~~at least once every six months.~~
- 3.21.12. System Management must document the procedure to be followed in determining and reporting Forced Outages and Consequential Outages in the Power System Operation Procedure and System Management, Market Participants and Network Operators must follow that documented Market Procedure.

7.13.1A. System Management must provide the IMO with the following data for a Trading Day by noon on the fifteenth Business Day following the day on which the Trading Day ends:

- (a) the MWh quantity of non-compliance by Synergy by Trading Interval; and
- (b) the schedule of all Planned Outages, Forced Outages and Consequential Outages relating to each Trading Interval in the Trading Day by Market Participant and Facility as measured on a sent out basis at:
 - i. 15 degrees Celsius; and
 - ii. 41 degrees Celsius.

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

The IMO considers that the proposed amendments will better achieve Wholesale Market Objectives (a) and (c) and are consistent with the remaining Wholesale Market Objectives.

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 IMO considers that the proposed amendments will better address Wholesale Market Objective (a) by:

- Removing from the Consequential Outage process the unnecessary administrative burden associated with:
 - Market Participants having to provide System Management a notice signed by an Authorised Officer confirming the details of a Consequential Outage; and
 - System Management retaining the authorised notices related to Consequential Outages and providing copies of these to the IMO;
- Providing greater Outage transparency by better distinguishing between a Consequential Outage and a Forced Outage in advance (i.e. a Consequential Outage can be logged as such in the first instance, rather than being logged as a Forced Outage first and then converted later to a Consequential Outage);
- Ensuring that the IMO is able to comply with its existing obligations by allowing it to provide System Management with each Facility's MW value of Capacity Credits (rather than each Facility's RCOQ);
- Providing for advance notification of Consequential Outages to ensure greater transparency of Facility availability to Market Participants and thereby improving the accuracy of the Balancing Price Forecast; and
- Providing greater clarity and transparency with respect to existing obligations in the Market Rules to better equip Market Participants to comply with their obligations and therefore reducing the administrative overheads associated with interpreting and complying with the Market Rules.

(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

The IMO considers that the proposed amendments would also better address Wholesale Market Objective (c) by improving clarity with respect to Non-Scheduled Generators' obligations to avoid discrimination between Facility Classes, for example in certification and compliance activities.

The IMO considers that the proposed amendments are consistent with the remaining Wholesale Market Objectives.

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

System Management is anticipated to incur some costs associated with the system changes required by the amendments relating to:

- Providing to the IMO Outage quantities for each Facility for each Trading Interval on a sent out basis at 15 degrees Celsius; and
- Calculating the quantity of a de-rating for a Non-Scheduled Generator.

However, the IMO understands that these costs are relatively minor and can be incorporated within System Management's existing operational budget.

The IMO anticipates that there will be some minor IMO system changes required for it to receive outage quantities for each Facility for each Trading Interval on a sent out basis at 15 degrees Celsius but considers that these can be incorporated within its existing operating budget.

The market is likely to experience a net economic benefit as a result of:

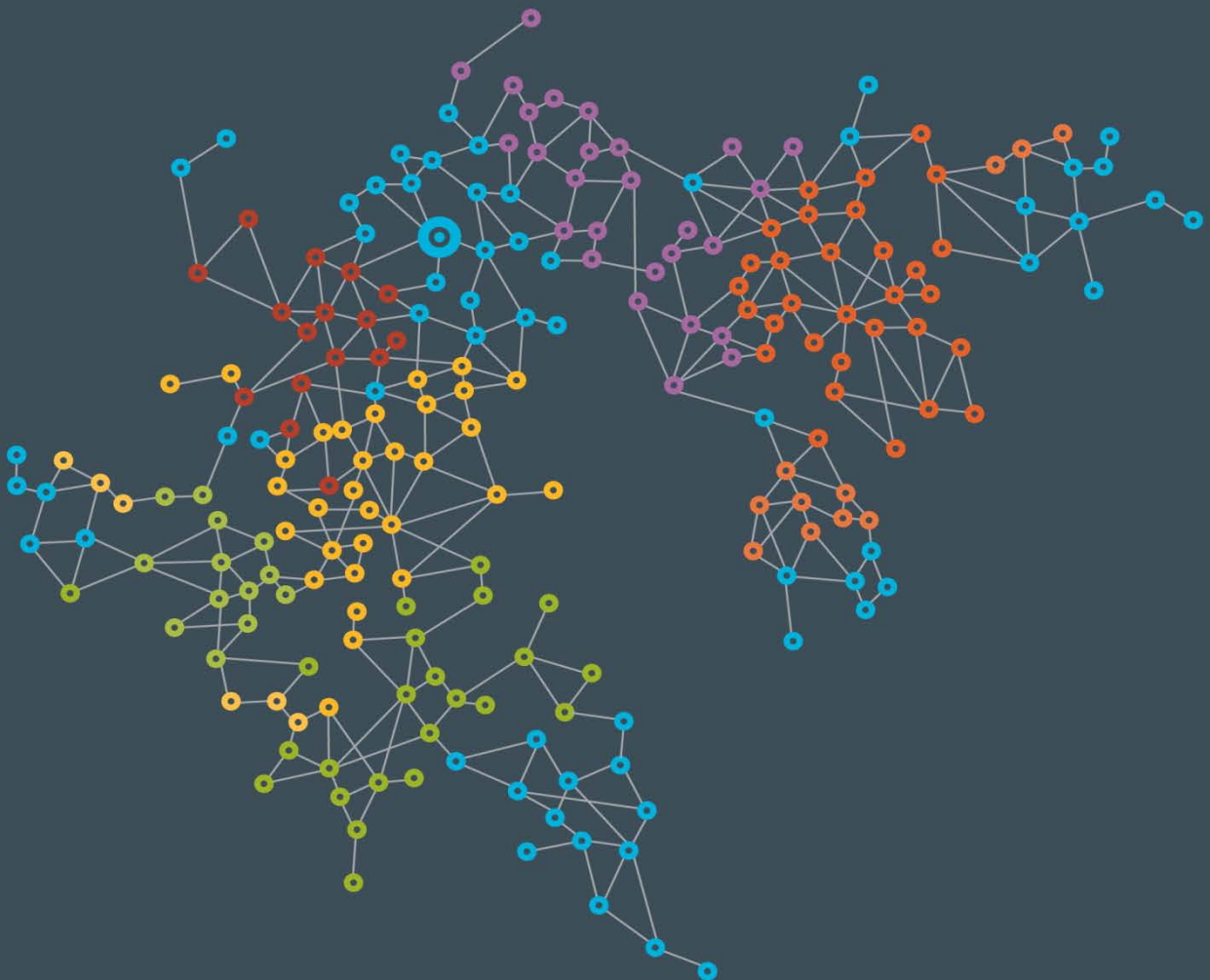
- The streamlined Consequential Outage process which will reduce administrative costs for Market Participants and System Management;
- Greater certainty for Market Participants around the application of the Market Rules which will ensure investment and operational decisions are better informed and therefore less likely to lead to inefficient outcomes; and
- The improved ability for the Market Rules to be practically applied, resulting in more efficient behaviours.



INDEPENDENT
MARKET
OPERATOR

Review of Consequential Outages

Date: 18 June 2014



1. INTRODUCTION

In 2010 Alinta Energy submitted a Rule Change Proposal: Consequential Outage – Relief From Capacity Refund and Unauthorised Deviation Penalties (RC_2010_23¹) to prevent the situation where a Market Participant who had suffered a Consequential Outage would be liable for paying Capacity Cost Refunds and penalties for the unauthorised deviation from its Dispatch Schedule.

At that time, the Wholesale Electricity Market Rules (Market Rules) allowed the IMO to reduce the Reserve Capacity Obligation Quantity (RCOQ) of a Facility if it was notified ex-ante of a Consequential Outage. This prevented the Market Participant from being penalised for failing to offer the affected capacity into the Short Term Energy Market (STEM). However, no adjustments could be made to account for Consequential Outages which were identified ex-post, which left the Market Participant exposed to Capacity Cost Refunds and deviation penalties despite such deviations being outside of its control. To rectify this situation Alinta Energy proposed that a Facility affected by a Consequential Outage has its Dispatch Schedule set to equal the Sent Out Metered Schedule. The IMO considered that the proposed amendments were required to correct this manifest error where the Market Rules had not accounted for the situation.

During the consultation period for RC_2010_23, it was noted that the proposed drafting would protect a Facility that had suffered a partial Consequential Outage from paying any deviation penalties, even if the outage did not affect the Facility's ability to meet its Resource Plan. In an effort to address this issue the IMO developed an alternative methodology that would limit the adjustments made to Dispatch Schedules to only reflect the actual extent of the Consequential Outage on the Facility's ability to meet its Resource Plan. The proposed alternative methodology however, was more complex and costly and given the low levels of Consequential Outages and as such, the IMO considered the methodology proposed by Alinta Energy to be more appropriate.

During the rule change process for RC_2010_23, System Management noted that, under Alinta's proposed amendments, there was the potential for Market Participants to 'game' the arrangements by either claiming a Forced Outage as a Consequential Outage, or else exaggerating the impact of the Consequential Outage on the Facility's ability to meet its obligations. This was because in some cases establishing a link of causality between events or circumstances on the SWIS and a Market Participant's submissions to System Management in relation to a particular Outage event may have been difficult or in some cases impossible.

System Management suggested several additional clauses to strengthen governance with respect to the Consequential Outage process and establish increased accountability regarding a Market Participant's Outage submissions to System Management. The additional clauses were incorporated into the Rule Change Proposal and have resulted in the following Consequential Outage process:

1. A Market Participant that has experienced a Consequential Outage is required to log a Forced Outage in the first instance;

¹ Available on the Market Web Site: http://www.imowa.com.au/RC_2010_23.

2. Within 15 calendar days following the Trading Day on which the Consequential Outage commenced, if the relevant Market Participant wishes to have its Forced Outage converted to a Consequential Outage it must provide an authorised notice declaring that a Consequential Outage has occurred and providing relevant details (to the best of its knowledge) of the events which resulted in the Consequential Outage;
3. System Management must accept the information provided by the Market Participant unless it is aware of information to the contrary, and convert the Forced Outage to a Consequential Outage; and
4. System Management must retain the authorised notices which it receives and provide these to the IMO upon request, and in any case, at least every six months.

In light of these concerns, in the Final Rule Change Report for RC_2010_23, the IMO proposed to conduct a review of the Consequential Outage notifications received, six months after the commencement of the Rule Change Proposal, with the assistance of System Management.

The review was to consider:

1. any changes to the frequency of Consequential Outage submissions;
2. the frequency of partial Consequential Outage submissions, and in particular of cases where a Market Participant received a level of relief inconsistent with the extent of the Outage;
3. financial impacts of the changes implemented;
4. any monitoring, governance or gaming issues identified; and
5. recommendations for additional amendments to the Market Rules (e.g. periodic reviews, changes to governance arrangements and, if necessary, implementation of the alternative methodology).

Since the implementation of RC_2010_23 the IMO has monitored the level of Consequential Outages reported. While these were fairly low, the IMO did not consider the review urgent, and as such, has only recently completed the review.

The following sections discuss the outcomes of the analysis, associated with the items considered in the review and provides recommendations.

2. ANALYSIS

The IMO reviewed the Consequential Outages reported one year prior to the implementation of RC_2010_23 (i.e. from 1 May 2010 to 1 May 2011) and in the three year period following the commencement of RC_2010_23 (i.e. from 1 May 2011 to 1 May 2014). The following table summarises the results from the analysis:

Table 1: Consequential Outage Notifications, 2010-11 to 2013-14

	1/5/2010- 1/5/2011	1/5/2011- 1/5/2012	1/5/2012- 1/5/2013	1/5/2013- 1/5/2014
Consequential Outages by Facility Type:				
Scheduled	10	5	8	32
Non-Scheduled Generators	3	3	1	5
Consequential Outages by Market Participant:				
Synergy/Verve Energy	6	1	4	25
Other	7	7	5	12
No. of Partial Consequential Outages	3	0	0	2
Total Consequential Outages	13	8	9	37
No. of Trading Intervals covered	220	151	381	1232

Changes to the Frequency of Consequential Outage Submissions

The number of Consequential Outage notifications per year remained relatively stable between the period 1 May 2010 to 1 May 2013. However, the number of notifications increased significantly between 1 May 2013 and 1 May 2014, in particular from Scheduled Generators operated by Verve Energy (now Synergy). The IMO considers that this is likely to be due to the progression of the (since rejected) Rule Change Proposal: Incentives to Improve the Availability of Scheduled Generators (RC_2013_09²) which sought to address the high level of Planned Outages. This Rule Change Proposal provided a previously absent incentive for a Market Participant (eligible for either a Consequential Outage or a Planned Outage), to where possible, apply for the Consequential Outage rather than a Planned Outage so as to keep its Planned Outage rate low.

Two other Rule Changes Proposals have commenced since the introduction of RC_2010_23 which may have also contributed to the increased number of Consequential Outage notifications (though they commenced before the significant increase that occurred over the past year). These were:

- The Rule Change Proposal: Adjustment of Relevant Level for Intermittent Generation Capacity (RC_2010_24³) which commenced on 1 July 2011. This proposal encourages Consequential Outage notifications from Intermittent Generators in instances where the Facility is eligible for a Consequential Outage for a Trading Interval which will be used in that Intermittent Generator's Relevant Level calculation; and

² Available on the Market Web Site: http://www.imowa.com.au/RC_2013_09.

³ Available on the Market Web Site: http://www.imowa.com.au/RC_2010_24.

- The Rule Change Proposal: Consequential Outage Correction (RC_2012_04⁴) which commenced on 1 September 2012. This proposal expanded the definition of a Consequential Outage so that it would include the scenario where a Consequential Outage could be the result of a Planned Outage to a Network Operator's equipment (prior to this a Consequential Outage could only be the result of a Forced Outage to another Rule Participant's equipment).

Changes to the Frequency of Partial Consequential Outage Submissions

Under RC_2010_23, a Market Participant with a Facility that had suffered a partial Consequential Outage was protected from paying any deviation penalties, even if the Outage did not affect the Facility's ability to meet its Resource Plan. Given this issue, the scope of the Consequential Outage review was to include an assessment of whether there had been any increase in the frequency of partial Consequential Outage submissions and in particular, of cases where a Market Participant received a level of relief inconsistent with the extent of the outage.

The Rule Change Proposal: Competitive Balancing and Load Following Market (RC_2011_10⁵) closed this loophole by removing deviation penalties from the Market Rules. However, the IMO notes that during the period between the commencement of RC_2010_23 on 1 May 2011 and the commencement of RC_2011_10 on 1 July 2012 there were no reported partial Consequential Outages, indicating that this loophole was not taken advantage of during its existence.

Financial Impacts of the Changes Implemented

As noted above, there have been no financial impacts resulting from RC_2010_23 with respect to the avoidance of deviation penalties which was the major concern at the time of implementing the proposed amendments.

However, the IMO notes that the progression of RC_2010_24 and RC_2013_09 may have provided a financial motivation for Market Participants to apply for Consequential Outages in certain instances.

Monitoring, Governance, Gaming Issues

In regard to monitoring issues, the IMO sought feedback from System Management on whether it had experienced any difficulty in confirming the details of Consequential Outages from the notices that Market Participants had provided. System Management noted it has not experienced any issues and that Market Participants have been providing clear and concise Consequential Outage information, as required.

The IMO considers that the authorised notice provides no additional information over and above the information already required to be provided by a Market Participant in its notification of a Consequential Outage to System Management under clause 3.21.4 of the Market Rules. The

⁴ Available on the Market Web Site: http://www.imowa.com.au/RC_2012_04.

⁵ Available on the Market Web Site: http://www.imowa.com.au/RC_2011_10.

IMO therefore queried whether more efficient governance arrangements could be introduced. After further consultation with System Management, the IMO understands that System Management can determine whether a Consequential Outage has occurred without requiring an authorised notice to be provided by the relevant Market Participant.

As previously discussed the IMO has found no evidence of gaming at this stage.

2. Recommendations

There has been a significant increase in the frequency of Consequential Outages notifications since 1 May 2013. The IMO considers that this trend increases the importance of the Consequential Outage process being not only robust, but also as efficient as possible so as to reduce any unnecessary administrative burden on the market.

During consultation with System Management it was identified that System Management is able to determine whether (and to what extent) a Consequential Outage has occurred without requiring an authorised notice to be provided by the relevant Market Participant. The IMO therefore recommends that:

1. the requirement for Market Participants to provide an authorised notice to System Management should be removed; and
2. Market Participants should be able to request Consequential Outages directly through the Market Participant Interface (MPI) (rather than initially logging a Forced Outage which System Management later converts to a Consequential Outage).

These changes will be progressed in the pre Rule Change Proposal: Administrative Improvements to the Outage Process (PRC_2014_03).

Given that there has been no evidence of gaming at this stage and also that the original concerns around gaming which motivated the review no longer exist, the IMO does not consider that it is necessary to set periodic reviews of the Consequential Outage process and that to do so would impose an unnecessary cost on the market.

The IMO does however, intend to continue to monitor Consequential Outage notifications and will consider further reviews if it becomes aware of an issue with the Consequential Outage process sufficient to justify a further review.



INDEPENDENT
MARKET
OPERATOR

Wholesale Electricity Market Pre Rule Change Proposal

Rule Change Proposal ID: **RC_2014_04**
Date received: **TBA**

Change requested by:

Name:	Kate Ryan
Phone:	08 9254 4357
Fax:	08 9254 4399
Email:	kate.ryan@imowa.com.au
Organisation:	IMO
Address:	Level 17, 197 St Georges Terrace, Perth WA 6000
Date submitted:	TBA
Urgency:	Medium
Change Proposal title:	Specific Transition Provisions for the 2014 Reserve Capacity Cycle
Market Rules affected:	New clauses 1.12.1, 1.12.2

Introduction

Market Rule 2.5.1 of the Wholesale Electricity Market (WEM) Rules (Market Rules) provides that any person (including the IMO) may make a Rule Change Proposal by completing a Rule Change Proposal form that must be submitted to the IMO.

This Rule Change Proposal form can be posted, faxed or emailed to:

Independent Market Operator

Attn: Group Manager, Development and Capacity
PO Box 7096
Cloisters Square, Perth, WA 6850
Fax: (08) 9254 4339
Email: market.development@imowa.com.au

The IMO will assess the proposal and, within five Business Days of receiving this Rule Change Proposal form, will notify you whether the Rule Change Proposal will be further progressed.

In order for the proposal to be progressed, all fields below must be completed and the change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the Wholesale Market Objectives.

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;
- (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.

Details of the Proposed Rule Change

1. Describe the concern with the existing Market Rules that is to be addressed by the proposed Market Rule change:

Under clause 4.5 of the Market Rules, the IMO annually conducts the Long Term PASA (LT PASA) to determine the Reserve Capacity Target for each year of the LT PASA Study Horizon and prepare the Electricity Statement of Opportunities Report (ESOO) for each Reserve Capacity Cycle.

On 29 April 2014, the IMO received a Ministerial Direction to defer the processes related to certification of Reserve Capacity, declaration of bilateral trades, assignment of Capacity Credits and the Reserve Capacity Auction for the 2014 Reserve Capacity Cycle by 12 months in accordance with clause 4.1.32 of the Market Rules. In accordance with the Ministerial Direction, the IMO published a notice of extension for these aspects of the 2014 Reserve Capacity Cycle on 8 May 2014¹.

The Ministerial Direction did not direct the IMO to extend the publication date for the 2014 ESOO, specified to be 17 June 2014 under clause 4.1.8 of the Market Rules. Clause 4.5.13(b) of the Market Rules states that the ESOO must include the Reserve Capacity Target for each Capacity Year of the LT PASA Study Horizon. The IMO considered that publishing the 2014 ESOO on the scheduled date and the necessary inclusion of the determined Reserve Capacity Target may result in inefficient outcomes. This is because any updated demand forecasts that become available by the time the capacity procurement

¹ Information on the amendments to the Reserve Capacity timetable for the 2014 Reserve Capacity Cycle is available at: <http://www.imowa.com.au/reserve-capacity/reserve-capacity-timetable/reserve-capacity-timetable-overview>.

processes for the 2014 Reserve Capacity Cycle are conducted in 2015, would not be able to be included in the calculation of the Reserve Capacity Target for the 2014 Reserve Capacity Cycle².

The IMO has therefore decided to defer the publication of the 2014 ESOO by 12 months in accordance with clause 4.1.32 of the Market Rules³. This is to enable the IMO to incorporate the most recent information in the demand forecasts in the deferred 2014 ESOO. Additionally, it will allow the IMO to consider the potential impact of any outcomes from the State Government's Electricity Market Review⁴. On 4 June 2014, the IMO published the notice of extension to extend the 2014 ESOO publication to 17 June 2015⁵.

The deferral of the 2014 ESOO by 12 months requires the IMO to address two resulting issues in the Market Rules. These are detailed below:

- (a) Clause 4.3.1(b) of the Market Rules requires that the Request for Expression of Interest for a Reserve Capacity Cycle must include the preliminary Reserve Capacity Requirement (RCR) determined in accordance with clause 4.6.3 of the Market Rules. Further, clause 4.6.3(b) of the Market Rules specifies that the preliminary RCR is the Reserve Capacity Target as reported in the ESOO for the preceding Reserve Capacity Cycle. Compliance with these clauses currently requires that the 2014 ESOO be published prior to the publication date of the 2015 Request for Expression of Interest, being by 31 January 2015. With the deferral of the 2014 ESOO to 17 June 2015, the IMO will be unable to comply with this clause because a preliminary RCR will not be available by 31 January 2015.
- (b) Clause 4.5.1 and the definition of LT PASA in the Glossary of the Market Rules require the IMO to conduct the LT PASA annually. Deferral of the 2014 ESOO means that the annual LT PASA will not be completed within the 2014 calendar year, resulting in the IMO not complying with clause 4.5.1 of the Market Rules.

Proposed Amendments

To address these issues, the IMO proposes to introduce new transitional rules which will allow the IMO to:

- (a) undertake the 2014 LT PASA and the RCR determination in 2015; and
- (b) use the 2013 ESOO for the preliminary RCR to be included in the Request for Expressions of Interest for the 2015 Reserve Capacity Cycle,

for the purpose of satisfying its obligations with respect to the 2014 Reserve Capacity Cycle under the Market Rules.

² If, for example, in 2014, the IMO calculated the Reserve Capacity Target to be higher than it would have been based on the information available in 2015, then the IMO would be required under the Market Rules to procure the quantity of capacity to fulfil the known higher 2014 Reserve Capacity Target resulting in unnecessary costs to the market.

³ In place of the 2014 ESOO, the IMO will publish a SWIS Electricity Demand Outlook on 17 June 2014 containing demand and energy forecasts and relevant market information for the 10-year outlook period.

⁴ More information is available at:

http://www.finance.wa.gov.au/cms/TwoColumns_Content.aspx?Pageid=17638&id=17731.

⁵ Available at: <http://www.imowa.com.au/reserve-capacity/reserve-capacity-timetable/reserve-capacity-timetable-overview>.

2. Explain the reason for the degree of urgency:

The IMO proposes to commence the proposed Amending Rules as soon as practicable to ensure that the IMO can continue to satisfy its obligations under the Market Rules and allow for the preparation of the 2014 and 2015 ESOOs to be published by 17 June 2015.

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)

1.12. Specific Transition Provisions for the 2014 Reserve Capacity Cycle

1.12.1. For the purposes of clause 4.5.1, the Long Term PASA for the 2014 Reserve Capacity Cycle is deemed to be the study conducted in accordance with clause 4.5 and published under clause 4.5.11 in the Statement of Opportunities Report for the 2015 Reserve Capacity Cycle by the date specified in clause 4.1.8.

1.12.2. For the purposes of clauses 4.3.1(b) and 4.6.3(b), the preliminary Reserve Capacity Requirement for the 2015 Reserve Capacity Cycle is deemed to be the Reserve Capacity Target for the relevant Capacity Year as reported in the most recently published Statement of Opportunities Report.

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

Clause 2.4.2 of the Market Rules states 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.

The IMO considers that this Rule Change Proposal will better achieve Wholesale Market Objectives (a), (b) and (d) and is consistent with the remaining Wholesale Market Objectives.

(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 IMO notes that the proposed Amending Rules will allow the IMO to include any updated information and forecasts that become available in determining the Reserve Capacity Target for the 2016/17 Capacity Year in the LT PASA and ESOO as deferred. The IMO considers that using forecasts that better reflect the circumstances at that time will provide relevant and more up-to-date information to Market Participants regarding the need new capacity at the time of the certification process for the 2014 Reserve Capacity Cycle. This will promote economic efficiency and reliability of electricity supply. The IMO therefore considers that the proposed amendments will better achieve Wholesale Market Objective (a).

(b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors

The IMO notes that the proposed Amending Rules will ensure that outdated forecasts are not used when determining the Reserve Capacity Target for the 2016/17 Capacity Year. This will reduce any ambiguity with regard to the amount of capacity required in the WEM, thereby facilitating the efficient entry of new capacity investment only if required. The IMO therefore considers that the proposed amendments will better achieve Wholesale Market Objective (b).

Further, the IMO notes that the proposed Amending Rules will allow for the use of the 2013 ESOO for the preliminary RCR to be included in the Request for Expressions of Interest for the 2015 Reserve Capacity Cycle (so as to provide an indicative Reserve Capacity Target for the 2017/18 Capacity Year). While the 2013 ESOO may be potentially out of date for the Reserve Capacity Target for the 2017/18 Capacity Year, the IMO notes that the Expression of Interest is a non-binding obligation and the purpose of the preliminary RCR is to provide an indicative amount. The IMO considers that this purpose will be adequately served by using the 2013 ESOO and therefore, the proposed amendments are not contrary to the Wholesale Market Objectives (a) or (b).

(d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system

The IMO considers that if the proposed amendments were not implemented, the Market Rules would be ambiguous with regard to the Reserve Capacity Target and the quantity of capacity to be procured for the 2014 Reserve Capacity Cycle. This may impose unnecessary costs on the market because the IMO would be required under the Market Rules to procure capacity to fulfil the previously determined Reserve Capacity Target even when more relevant, up-to-date and potentially lower forecasts become available. The IMO therefore considers that the proposed amendments will better achieve Wholesale Market Objective (d).

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

Benefits

The benefits of the proposed Amending Rules to the market as a whole include the:

- (a) provision of relevant and up-to-date information for Market Participants to make decisions about investing in new capacity at the time of the certification process for the 2014 Reserve Capacity Cycle;
- (b) minimisation of potential unnecessary costs imposed on the market as a result of the IMO having to procure capacity to fulfil the known Reserve Capacity Target for the 2014 Reserve Capacity Cycle even when more relevant, up-to-date and potentially lower forecasts become available in 2015; and
- (c) provision of clarity in relation to the IMO's obligations and to ensure its actions are consistent with and result in the most efficient procurement of capacity in light of the deferral of the 2014 Reserve Capacity Cycle following the Ministerial Direction.

Costs

The IMO will incur minor administrative costs to facilitate the development and progression of this Rule Change Proposal. However, these costs can be accommodated within the IMO's existing operational budget.

Agenda Item 6a: Reduced Frequency of Determining the Energy Price Limits and the Maximum Reserve Capacity Price

1. BACKGROUND

The Wholesale Electricity Market Rules (Market Rules) require the IMO to undertake two annual reviews of prices applicable in the market, the:

- Energy Price Limits (EPL) which includes the setting of the Maximum STEM Price and the Alternative Maximum STEM Price, in accordance with clause 6.20.6 of the Market Rules; and
- Maximum Reserve Capacity Price (MRCP), in accordance with clause 4.16.3 of the Market Rules.

In addition, these annually revised prices are reviewed by the Economic Regulation Authority (ERA) under clause 2.26.1 of the Market Rules.

These price ceilings represent the price limits for the energy market and the capacity market respectively and protect the market against the abuse of market power and provide a level of price certainty.

In 2013, the ERA produced a report titled 'Review of Methodology for Setting the Maximum Reserve Capacity Price and the Energy Price Limits in the Wholesale Electricity Market'¹ which recommended that the IMO should consider undertaking a thorough review of the EPL and MRCP every three years, with appropriate escalators being applied to each price between reviews². The ERA also suggested that the IMO should have the discretion to conduct a thorough review at any time within the period.

The IMO incurs costs of around \$58,000 to undertake the review of the EPL and \$66,000 for the MRCP each year, which totals around \$620,000 over the five years. In addition, the IMO notes that the ERA and Market Participants also incur costs associated with these annual revision processes.

Most of the variables used to calculate the EPL and the MRCP do not change significantly on an annual basis. Historically, the changes affecting the EPL and MRCP have been associated with changes to the calculation of the relevant variables.

The IMO therefore considers that the costs associated with the annual review of the EPL and MRCP are not commensurate with the benefits.

¹ Available at: <http://www.erawa.com.au/energy-markets/electricity-markets/review-of-methodology-for-setting-the-maximum-reserve-capacity-price-and-energy-price-limits>.

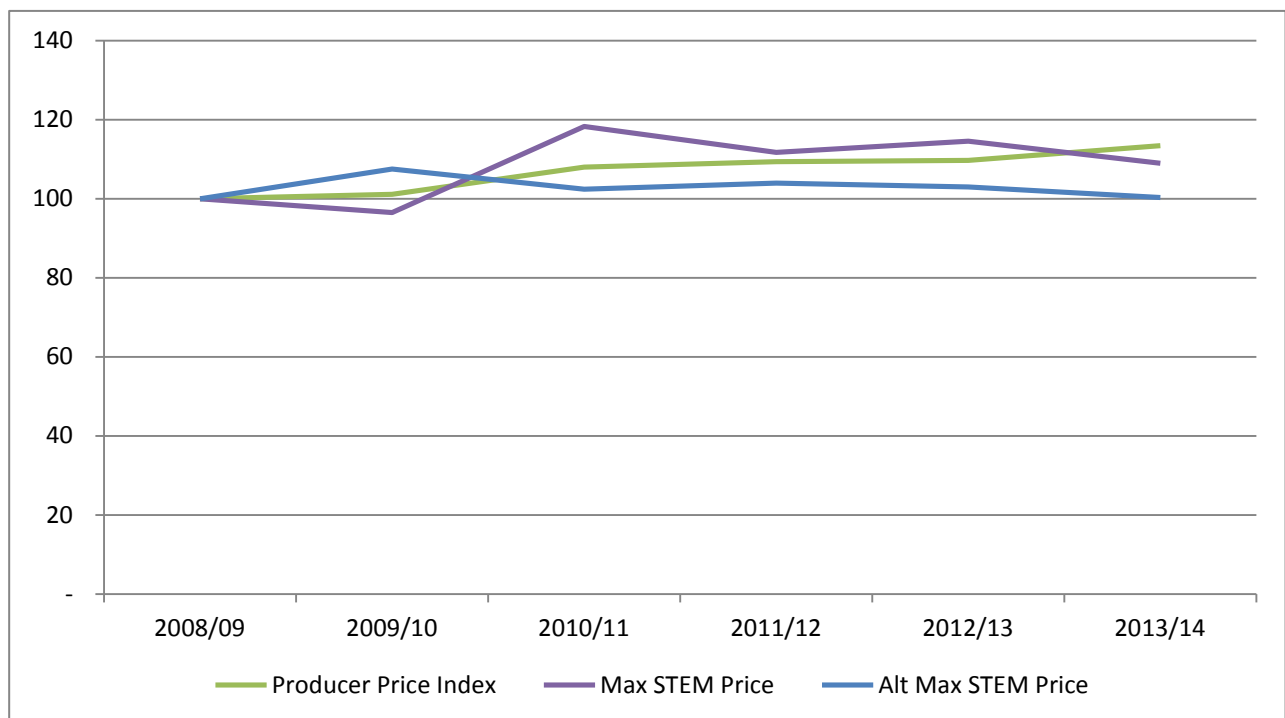
² See ERA, Decision, Recommendation 4, page 36 and Recommendation 7, page 50.

2. PROPOSED AMENDMENTS

The IMO proposes to reduce the frequency of determining the EPL and the MRCP. In particular, the IMO proposes to amend clauses 6.20.6 and 4.20.3 of the Market Rules to change from determining the EPL and MRCP annually to five yearly, on the basis that the majority of input variables used in these calculations do not vary significantly over three or five years³.

In order to capture the regular price movements, the IMO proposes to index both these prices annually to the Producer Price Index⁴ to account for inflation, economic growth and changes in exchange rates associated with costs in the sector. Figure 1 compares the EPL to the Producer Price Index (Preliminary, Total)⁵. This shows that the movements in both the Maximum STEM Price and the Alternative Maximum STEM Price have historically been comparable to the Producer Price Index.

Figure 1: Comparison of EPL to Producer Price Index, June 2008=100



³ The only variables that typically change during the suggested period are the fuel costs and the loss factor. Historic changes in other variables were mainly due to changes in the methodology used to derive these variables.

⁴ The Producer Price Index (Cat No. 6427.0) is published quarterly by the Australian Bureau of Statistics (ABS). The IMO proposes to use the annual percentage change of the Preliminary, Total Index which is derived based on the prices of both the domestic and imported products consumed as inputs into intermediate demand items.

⁵ Available at: <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6427.0>.

The IMO proposes that, following the determination of the EPL, the IMO will:

1. Index the Fuel Cost component of the Alternative Maximum STEM Price to an appropriate oil price⁶ on a quarterly rather than monthly basis⁷;
2. Index the Maximum STEM Price and Alternative Maximum STEM Price annually to the Producer Price Index to account for inflation, economic growth and changes in exchange rates associated with costs in the sector.

The IMO also proposes to index the MRCP annually to the Producer Price Index to account for the increase in costs over the proposed review period. It should be noted that, since market start there have been significant changes in the input variables used to calculate the MRCP. As such, the IMO has not been able to undertake a meaningful comparison to the Producer Price Index. Nevertheless, the IMO considers that the Producer Price Index (Preliminary, Total) is an appropriate annual indexation to account for inflation, economic growth and changes in exchange rates associated with costs in the sector.

3. WHOLESALE MARKET OBJECTIVE ASSESSMENT

The IMO considers that the proposed amendments will better address Wholesale Market Objectives (a) and (d):

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system; and
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system.

The proposed changes will decrease the costs for the determination of the EPL and MRCP by around \$500,000 over each five year period as a result of shifting the full review from an annual cycle to a longer cycle. The proposed changes would still allow changes in the economic considerations of Market Generators to be reflected in the prices due to the proposed annual (and for the Fuel Cost component of the Alternative Maximum STEM Price, quarterly) indexation.

The IMO also considers that a change to a less frequent revision of these prices would increase regulatory certainty for Market Participants.

The IMO also proposes to include the discretion to revise these prices in-period where the prices become inappropriate for any reason.

⁶ The IMO notes that clause 6.20.3 of the Market Rules requires the IMO to use the Singapore Gas Oil (0.5% sulphur) price or another suitable published price as determined by the IMO. The Singapore Gas Oil price is no longer traded in sufficiently large volumes to provide a meaningful indexation. As such, the IMO currently uses the Perth Net Ex Terminal Price for diesel which the IMO calculates by taking the Perth Terminal Gate Price and removing GST and excise. For further information see the 2014 Energy Price Limits Review, available at: <http://www.imowa.com.au/rules/other-wem-consultation-documents/2014-energy-price-limits-review>.

⁷ The monthly price changes are currently small (below five per cent).

The IMO considers that the proposed amendments are also consistent with the remaining Wholesale Market Objectives.

4. RECOMMENDATION

The IMO recommends that the MAC **discuss** the proposed amendments with respect to reducing the frequency of determining the EPL and MRCP.

Agenda Item 6b: Provisional and Final Balancing Prices

1. BACKGROUND

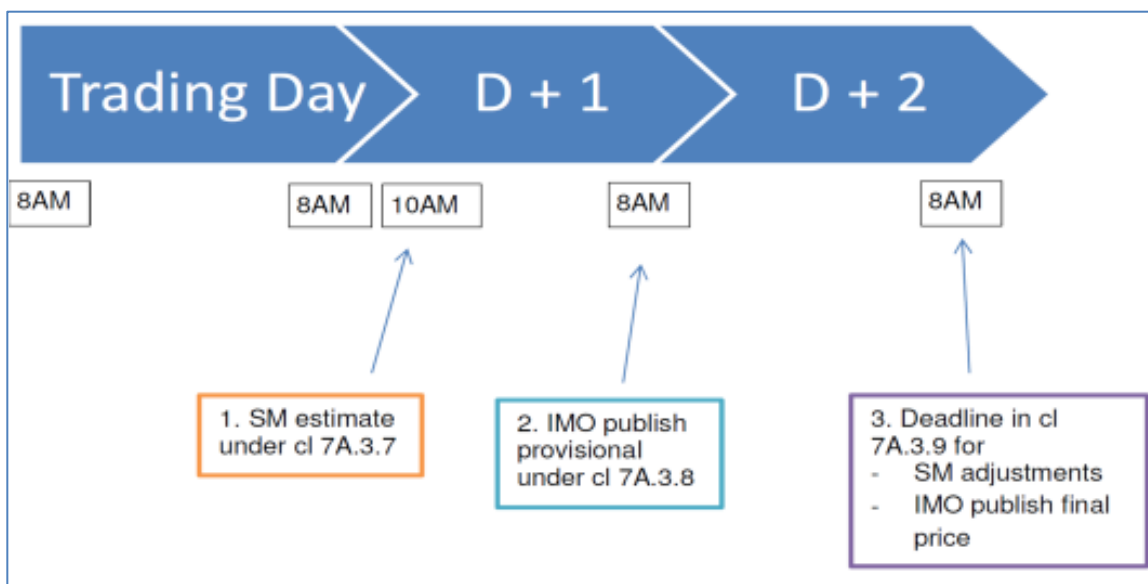
At the March 2014 Market Advisory Committee (MAC) meeting, a query was raised regarding why there is a delay between publication of the Provisional Balancing Price and final Balancing Price.

At the May 2014 MAC meeting, it was confirmed that the reason for this was to enable System Management to review and correct any errors in the data it provides to the IMO under clause 7A.3.7 of the Market Rules, which is used by the IMO to set the Balancing Price.

At this meeting, the IMO shared information that had been provided by System Management, that System Management had provided adjusted data to the IMO up to three times in any month, although in many months no adjustments were made. The IMO also agreed to circulate analysis of the variance between the Provisional Balancing Price and the final Balancing Price to MAC members.

2. CURRENT PROCESS FOR SETTING BALANCING PRICES

The process and timelines for setting the Provisional Balancing Price and the final Balancing Price is as follows.



3. HISTORY OF CHANGES TO THE PROVISIONAL BALANCING PRICE

From the start of the Balancing Market to 20 May 2014, the final Balancing Price has differed from the Provisional Balancing Price in 185 Trading Intervals (0.056% of all Trading Intervals). Of these, the final Balancing Price was:

- higher than the Provisional Balancing Price in 73 Trading Intervals (39%); and
- lower than the Provisional Balancing Price in 112 Trading Intervals (61%).

When an adjustment is made, the average change between the Provisional Balancing Price and the final Balancing Price is a reduction of \$0.824/MWh, with changes ranging from a reduction of \$65.02/MWh to an increase of \$91.41/MWh. Looking at all Trading Intervals over the period, the average adjustment is a reduction of \$0.0046/MWh.

The following table summarises the monthly impact of adjustments to the price (note a negative value indicates the Provisional Balancing Price was **lower** than the final Balancing Price).

Month	No. of intervals	Sum of Difference (\$)	Sum of MWh \$ Cost
2012			
Jul	11	-280.57	-\$ 280,384.16
Aug	23	150.91	\$ 158,682.54
Sep	10	-35.79	-\$ 32,570.36
Oct	1	1.39	\$ 1,361.38
Nov	0	0	\$ -
Dec	47	120.06	\$ 84,385.86
2013			
Jan	1	-26.25	-\$ 21,061.22
Feb	0	0	\$ -
Mar	0	0	\$ -
Apr	8	17.77	\$ 25,296.37
May	4	-7.79	-\$ 6,995.33
Jun	0	0	\$ -
Jul	28	2.02	-\$ 9,719.97
Aug	30	174.1	\$ 148,248.80
Sep	0	0	\$ -
Oct	10	30.37	\$ 32,689.68
Nov	1	-3.58	-\$ 4,420.69
Dec	7	23.39	\$ 36,341.16
2014			
Jan	0	0	\$ -
Feb	3	-13.64	-\$ 14,488.38
Mar	0	0	\$ -
Apr	1	0.05	\$ -
May	0	0	\$ -
Grand Total	185	152.44	\$ 117,365.69

4. RECOMMENDATION

The IMO recommends that the MAC **discuss** whether the current process and timelines for setting a Provisional Balancing Price and final Balancing Price remain appropriate.

Agenda Item 6c: Modifying the Bilateral and STEM Submission Timetables

1. BACKGROUND

At the MAC meeting on 19 March 2014, the possibility of having the STEM Submission window open from 8:00 AM to 9:50 AM rather than from 9:00 AM to 9:50 AM was raised, to allow Bilateral and STEM Submissions to be made simultaneously between 8:00 AM and 8:50 AM.

In further discussions, the following additional issues were raised for consideration:

- the closure of Bilateral Submission window at 8:50 AM means that critical market processes happen before normal business hours, which increases associated risks for Market Participants; and
- the 50-minute STEM Submission window can be too short when unexpected events or errors with STEM Submissions occur.

IMO investigations revealed that:

- the STEM Submission window cannot be opened earlier at reasonable cost, because dependencies on other processes at the IMO and at System Management mean that the necessary changes would be relatively complex and require changes to System Management's resourcing arrangements, which would incur substantial costs;
- with the proposed removal of Resource Plans, extending the Bilateral and/or STEM Submission windows while leaving the order of events unchanged would be relatively straightforward; and
- opening the STEM Submission window before closing the Bilateral Submission window would be feasible but slightly more complex.

At the MAC meeting on 14 May 2014, the IMO presented the attached slide, which demonstrates potential revisions to the Bilateral and STEM timetables. It was agreed the MAC members would consider these options and discuss them at the next MAC meeting.

2. DISCUSSION POINTS

The IMO:

- considers that the costs of opening the STEM Submission window earlier greatly outweigh any potential benefits;
- considers that it has not yet been made aware of benefits sufficiently great to justify the extra complexity of overlapping the Bilateral and STEM Submission windows, and would welcome contributions from MAC members who envisage such benefits; and

- seeks advice from MAC members on the potential advantages and disadvantages of:
 - delaying the closure of the Bilateral Submission window and the opening of the STEM Submission window; and
 - increasing the duration of the STEM Submission window.

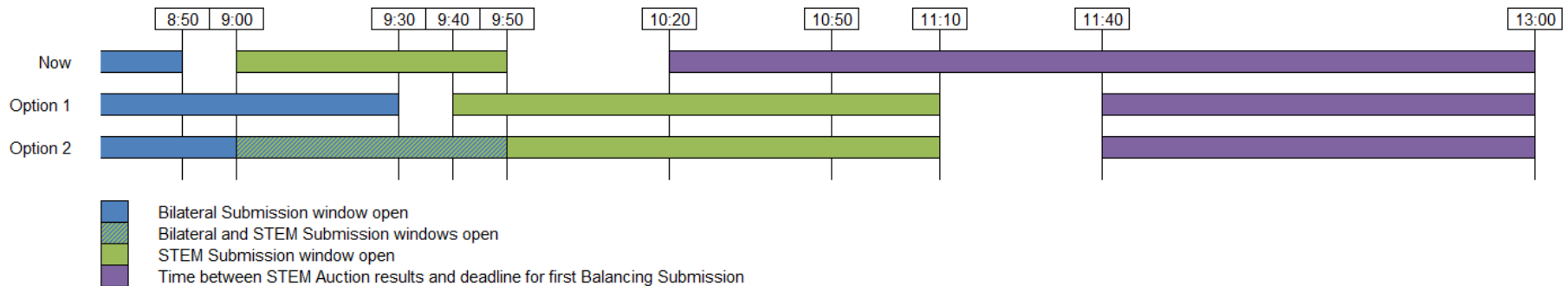
3. RECOMMENDATIONS

The IMO recommends that the MAC:

- **Discuss** options for modifying the Bilateral and STEM Submission timetables.

Illustrative options for modifying STEM timetable

- Option 1: Order of events is unchanged but Bilateral and STEM Submission windows are both made 40 minutes longer (~\$11k).
- Option 2: Bilateral Submission window closes when STEM Submission window currently closes, and STEM Submission window remains open for a further 1 hour 20 minutes (~\$18k).



Agenda Item 7a: Overview of Recent and Upcoming IMO and System Management Procedure Change Proposals

Legend:

Shaded	Shaded rows indicate procedure changes that have been completed since the last MAC meeting.
Unshaded	Unshaded rows are procedure changes still being progressed.
Red Text	Red text indicates any updates to information

ID	Summary of Changes	Status	Next Step	Date
IMO Procedure Change Proposals				
PC_2012_11 Notices and Communications	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> Reflect the IMO's new format arising from its Market Procedures project. Reflect the IMO's updated contact details. 	<ul style="list-style-type: none"> PC_2012_11: Notices and Communications was published on 18 June 2013. 	<ul style="list-style-type: none"> Submissions closed on 16 July 2013. The IMO is currently preparing the Procedure Change Report. 	July 2014
PC_2013_05 Reserve Capacity Security	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> Reflect the IMO's new format arising from its Market Procedures project; Revise the Market Procedure to provide more details of the relevant processes; Include some minor and typographical amendments to improve the integrity of the Market Procedure; and 	<ul style="list-style-type: none"> PC_2013_05 was tabled at the 1 May 2014 IMO Procedures Working Group. 	<ul style="list-style-type: none"> PC_2013_05 has been updated to reflect comments raised at the 1 May meeting and will be submitted into the procedure change process. 	June 2014

ID	Summary of Changes	Status	Next Step	Date
	<ul style="list-style-type: none"> Include amendments required as a result of the Pre Rule Change Proposal: Prudential Requirements (PRC_2012_23). 			
PC_2013_06 Certification of Reserve Capacity	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> Reflect the IMO's new format; Improve the integrity of the Market Procedure; and Reflect the treatment of Facilities that share a Declared Sent Out Capacity as a result of RC_2012_20. 	<ul style="list-style-type: none"> The Procedure Change Report is being prepared by the IMO in light of the rejection of RC_2013_09 and RC_2013_10 by the Minister. 	<ul style="list-style-type: none"> Procedure Change Report published. 	<p>July 2014</p>
PC_2013_09 Reserve Capacity Performance Monitoring	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> Reflect the IMO's new format; Reflect the amendments to Certification of Reserve Capacity in RC_2010_14; and Clarify the process for Performance Reports and Progress Reports. 	<ul style="list-style-type: none"> The Procedure Change Report is being prepared by the IMO in light of the rejection of RC_2013_09 and RC_2013_10 by the Minister. 	<ul style="list-style-type: none"> Procedure Change Report published. 	<p>July 2014</p>
PC_2014_01 Balancing Market Forecast	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> remove references to Verve Energy in the Market Procedure in response to the changes arising from the Rule Change Proposal RC_2013_18: Market Rule changes arising from the merger of the Electricity Retail Corporation and Electricity Generation Corporation; and make other minor editorial improvements to the Market Procedure. 	<ul style="list-style-type: none"> Procedure has been updated following the discussion at the 6 February 2014 IMOPWG. 	<ul style="list-style-type: none"> Updated Market Procedure to be circulated to the IMOPWG for comment. 	<p>TBA</p>
PC_2014_03 Market Procedure for Determining the Benchmark Reserve Capacity Price	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> rename the Maximum Reserve Capacity Price (MRCP) in the Market Rules as the Benchmark Reserve Capacity Price; and make other minor editorial improvements to the Market Procedure. 	<ul style="list-style-type: none"> PC_2014_03 was tabled at the 1 May 2014 IMO Procedures Working Group. 	<ul style="list-style-type: none"> The IMO will align the formal submission of PC_2014_03 with RC_2013_20 which has been extended until 31/12/2014. 	<p>TBA</p>

ID	Summary of Changes	Status	Next Step	Date
TBC Undertaking the LT PASA and conducting a review of the Planning Criterion	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> • Reflect the IMO's new format arising from its Market Procedures project; • Include some minor and typographical amendments to improve the integrity of the Market Procedure, including re-ordering some sections; and • Include both reviews required under clause 4.5.15 of the Market Rules (Planning Criterion and forecasting processes). 	<ul style="list-style-type: none"> • As advised at the August 2012 working group meeting, the IMO is currently undertaking the five yearly review of the IMO's forecasting processes. Following the completion of the review the IMO may make further changes to the Market Procedure. 	<ul style="list-style-type: none"> • Updated procedure to be presented back to the Working Group for discussion. 	TBA
TBC Meter Submission Data	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> • Reflect the IMO's new format arising from its Market Procedures project; • Clarify that the Procedure is part of the Settlement Market Procedures; • Ensure consistency with amendments to the Market Rules which have occurred since Market Start 	<ul style="list-style-type: none"> • Underway. 	<ul style="list-style-type: none"> • To be discussed by the IMO Procedures Working Group 	TBA
TBC Capacity Allocation Credit	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> • Reflect the IMO's new format arising from its Market Procedures project; • Clarify that the Procedure is part of the Settlement Market Procedures; • Ensure consistency with amendments to the Market Rules which have occurred since Market Start 	<ul style="list-style-type: none"> • Underway. 	<ul style="list-style-type: none"> • To be discussed by IMO Procedures Working Group 	TBA
TBC Intermittent Load Refund	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> • Reflect the IMO's new format arising from its Market Procedures project; 	<ul style="list-style-type: none"> • Underway. 	<ul style="list-style-type: none"> • To be discussed by IMO Procedures Working Group 	TBA

ID	Summary of Changes	Status	Next Step	Date
	<ul style="list-style-type: none"> Ensure consistency with amendments to the Market Rules which have occurred since Market Start 			
TBC Individual Reserve Capacity Requirements	The proposed updates are to: <ul style="list-style-type: none"> Reflect the IMO's new format arising from its Market Procedures project; Ensure consistency with amendments to the Market Rules which have occurred since Market Start 	<ul style="list-style-type: none"> Underway. 	<ul style="list-style-type: none"> To be discussed by IMO Procedures Working Group 	TBA
TBC Treatment of Small Generators	The proposed updates are to: <ul style="list-style-type: none"> Reflect the IMO's new format arising from its Market Procedures project; Ensure consistency with amendments to the Market Rules which have occurred since Market Start 	<ul style="list-style-type: none"> Underway. 	<ul style="list-style-type: none"> To be discussed by IMO Procedures Working Group 	TBA
TBC Reserve Capacity Testing	The proposed updates are to: <ul style="list-style-type: none"> Reflect the IMO's new format arising from its Market Procedures project; Reflect the new Temperature Dependence Curve Ensure consistency with the proposed Amending Rules under the Rule Change Proposal: Competitive Balancing and Load Following Market (RC_2011_10) 	<ul style="list-style-type: none"> Underway. 	<ul style="list-style-type: none"> To be discussed by IMO Procedures Working Group 	TBA
TBC Information Confidentiality	The proposed updates are to: <ul style="list-style-type: none"> Reflect the IMO's new format arising from its Market Procedures project; Ensure consistency with the proposed Amending Rules under the Rule Change Proposal: Competitive Balancing and Load Following Market (RC_2011_10) along with all other rule changes which have occurred since Market Start. 	<ul style="list-style-type: none"> Underway. 	<ul style="list-style-type: none"> To be discussed by IMO Procedures Working Group 	TBA
System Management Procedure Change Proposals – N/A				

Agenda Item 8a: Working Group Overview

Working Group (WG)	Status	Date commenced	Date concluded	Latest meeting date	Next scheduled meeting date
System Management Procedures WG	Active	Jul 07	Ongoing	14/08/2013	TBA
IMO Procedures WG	Active	Dec 07	Ongoing	01/05/2014	TBA