

The background of the lower half of the page is a photograph of a wind farm and power lines, overlaid with a semi-transparent blue filter. On the left, several white wind turbines are visible, with their blades extending outwards. On the right, a tall, lattice-structured power line tower stands prominently. The overall scene is set against a clear sky.

Independent Market Operator

Rule Change Notice
Title: Provision of Load
Following Ancillary
Service

Ref: RC_2009_38

Date: 29 October 2009

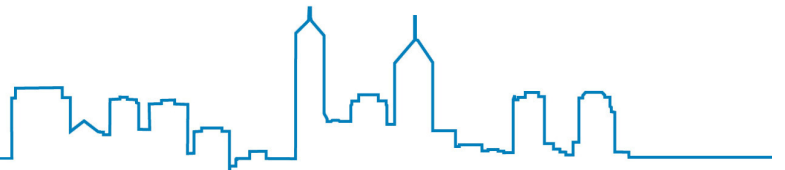
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1. THE RULE CHANGE PROPOSAL

1.1. The Submission

On 21 October 2009, System Management submitted a Rule Change Proposal regarding amendments to clause 3.9.1 of the Wholesale Electricity Market Rules (Market Rules).

This Rule Change Notice is published according to Market Rule 2.5.7, which requires the Independent Market Operator (IMO) to publish a notice within 7 Business Days of receiving a Rule Change Proposal.

1.1.1 Submission details

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Date submitted:	21 October 2009
Urgency:	Fast Track Rule Change Process
Change Proposal title:	Provision of Load Following Ancillary Service
Market Rule(s) affected:	Clause 3.9.1

1.2. Details of the Proposal

In its proposal System Management noted that the Market Rules as they are currently written only allow for Scheduled Generators to provide Load Following Ancillary Services. This threshold requirement effectively functions to prevent a Load from satisfying the requirements of a provider of a Load Following Service, and therefore precludes an offer to provide Load Following Ancillary Service in any procurement process initiated under the Market Rules.

As the inaugural Load Following Ancillary Service procurement process is due to commence in the near future System Management notes that it is determined to limit any impediments which may operate to preclude potential providers from participating.

In its proposal, System Management noted that in theory, a Load Following Ancillary Service can be provided either by a Scheduled Generator, a Dispatchable Load or a Curtailable Load and hence all should be able to be considered in the procurement process. It is also noted that the second draft report of the Ancillary Service review performed by SKM (engaged by the IMO: <http://www.imowa.com.au/n685.html>) recommends that loads be allowed to provide Load Following.

System Management considered that broadening the scope of potential providers of Load Following Ancillary Service to Loads, as well as Scheduled Generators, will ensure that all available options can be explored.



System Management proposed that this be progressed via the Fast Track Rule Change Process. System Management desired to progress the change via the Fast Track mechanism to support its soon-to-commence procurement process for Load Following Ancillary Service.

1.3. The Proposal and the Wholesale Market Objectives

System Management considers that the Market Rules, as amended by this proposed rule change, would better address Market Objectives (a), (b), (c) and (e). Broadening the range of Market Participants who may provide Load Following Service would increase competition, avoid discrimination against particular energy options, and encourage measures to manage the amount of electricity used.

2. PROPOSED AMENDING RULES

System Management proposed the following amendments to the Market Rules (~~deleted text~~, added text):

Market Rule 3.9.1

Load Following Service is the service of frequently adjusting:

- (a) the output of one or more Scheduled Generators; or
- (b) the consumption of one or more Loads

within a Trading Interval so as to match total system generation to total system load in real time in order to correct any SWIS frequency variations.

3. WHETHER THE PROPOSAL WILL BE PROGRESSED FURTHER

The IMO has decided not to progress this proposal. This is on the basis that the proposal does not meet the requirements to be processed via the Fast Track Rule Change Process.

System Management proposed that this rule change proceed under the Fast Track Rule Change Process, on the basis that the requirements of clause 2.5.9(b) are met; that is, that the change is necessary to correct a manifest error. The IMO has determined that it is neither immediately obvious nor evident that the omission of Loads from clause 3.9.1 is an error, and as such the requirements of clause 2.5.9 have not been satisfied.

Having been informed of the IMO's decision in this regard, System Management has decided to re-submit the proposal via the Standard Rule Change Process.

4. ABOUT RULE CHANGE PROPOSALS

Market Rule 2.5.1 of the Market Rules provides that any person (including the IMO) may make a Rule Change Proposal by completing a Rule Change Proposal Form and submitting this to the IMO.



The IMO will assess the proposal and, within 5 Business Days of receiving the proposal form, will notify the proponent whether the proposal will be progressed further.

In order for the proposal to be progressed, the change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the Wholesale Market Objectives. The market objectives 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.

A Rule Change Proposal can be processed using a Standard Rule Change Process or a Fast Track Rule Change Process. The standard process involves a combined 10 weeks public submission period, while the fast track process involves the IMO consulting with Rule Participants who either advise the IMO that they wish to be consulted or are considered by the IMO to have an interest in the change.