

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 metal lattice tower for power lines stands prominently, with several power lines stretching across the frame. The overall scene is set against a clear sky.

Independent Market Operator

**Final Rule Change Report:
Removal of Network Control
Services expression of interest
and tender process from the
Market Rules**

Ref: RC_2010_11

Date: 11 March 2011

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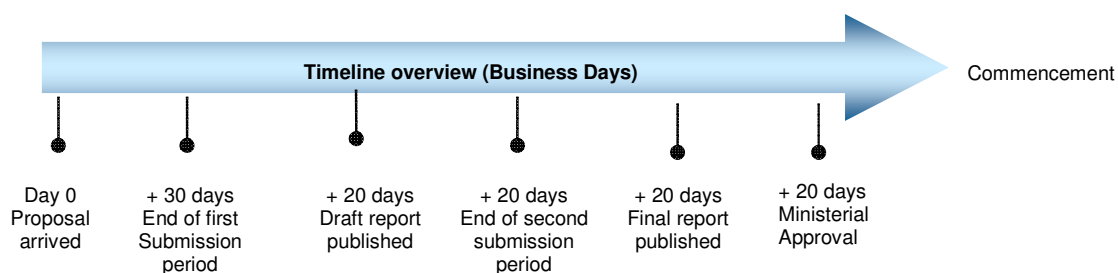
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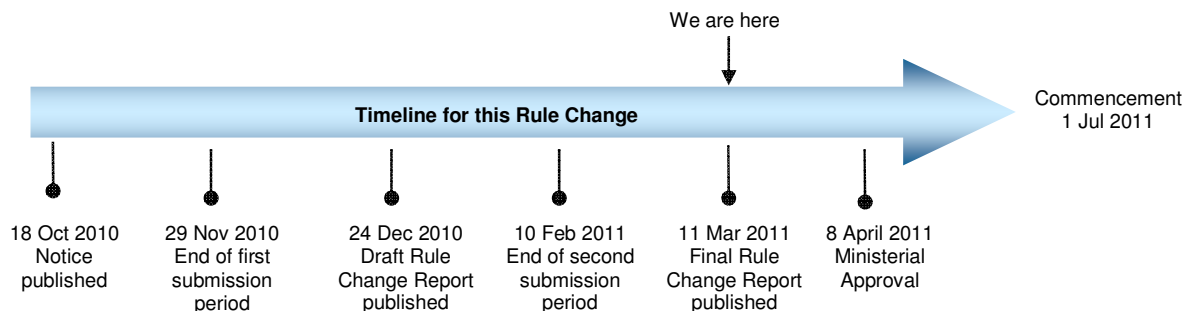
1. INTRODUCTION

On 15 October 2010, the Independent Market Operator (IMO) submitted a Rule Change Proposal regarding amendments to clauses 2.1.2, 2.8.13, 2.17.1, 2.22.1, 2.37.6, 2.37.7, 2.37.8, 2.38.1, 2.38.2, 2.38.3, 2.38.4, 2.38.5, 5.1.1, 5.1.2, 5.1.3, 5.1.4, 5.2.1, 5.2.2, 5.2.3, 5.2.4, 5.2.5, 5.2.6, 5.2.7, 5.3.1, 5.3.2, 5.3.3, 5.3.4, 5.3.5, 5.3.6, 5.3.7, 5.3.8, 5.3.9, 5.4.1, 5.4.2, 5.4.3, 5.4.4, 5.4.5, 5.4.6, 5.4.7, 5.4.8, 5.4.9, 5.4.10, 5.4.11, 5.4.12, 5.4.13, 5.4.14, 5.5.1, 5.5.2, 5.5.3, 5.5.4, 5.6.1, 5.6.2, 5.6.3, 5.7.1, 5.7.2, 5.8.1, 5.8.2, 5.8.3, 5.8.4, 5.8.5, 5.8.6, 5.8.7, 5.8.8, 5.9.1, 6.17.6, 7.1.1, 7.6.6, 9.12.1, 9.12.2, 9.14.1, 9.14.2, 9.18.3, 9.24.3, the Glossary and Appendix 1 with the addition of new clauses 5.2A.1, 5.2A.2, 5.2A.3, 5.3A.1, 5.3A.2, 5.3A.3, 5.3A.4, 5.9.2, 5.9.3 and 10.5.1(vD) of the Wholesale Electricity Market Rules (Market Rules).

This proposal is being processed using the Standard Rule Change Process, described in section 2.7 of the Market Rules. The standard process adheres to the following timelines:



The key dates in processing this Rule Change Proposal are:



The IMO's final decision is to accept the Rule Change Proposal in a modified form. The detailed reasons for the IMO's decision are set out in section 7 of this report.

In making its final decision on the Rule Change Proposal, the IMO has taken into account:

- the Wholesale Market Objectives;
- the practicality and cost of implementing the proposal;
- the views of the Market Advisory Committee (MAC); and
- the submissions received.

All documents related to this Rule Change Proposal can be found on the IMO website: http://www.imowa.com.au/RC_2010_11.

2. THE RULE CHANGE PROPOSAL

2.1 Submission Details

| | |
|-------------------------------|---|
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| Date submitted: | 15 October 2010 |
| Urgency: | Standard Rule Change Process |
| Change Proposal title: | Removal of Network Control Services, expression of interest and tender process from the Market Rules |
| Market Rules affected: | 2.1.2, 2.8.13, 2.17.1, 2.22.1, 2.37.6, 2.37.7, 2.37.8, 2.38.1, 2.38.2, 2.38.3, 2.38.4, 2.38.5, 5.1.1, 5.1.2, 5.1.3, 5.1.4, 5.2.1, 5.2.2, 5.2.3, 5.2.4, 5.2.5, 5.2.6, 5.2.7, 5.3.1, 5.3.2, 5.3.3, 5.3.4, 5.3.5, 5.3.6, 5.3.7, 5.3.8, 5.3.9, 5.4.1, 5.4.2, 5.4.3, 5.4.4, 5.4.5, 5.4.6, 5.4.7, 5.4.8, 5.4.9, 5.4.10, 5.4.11, 5.4.12, 5.4.13, 5.4.14, 5.5.1, 5.5.2, 5.5.3, 5.5.4, 5.6.1, 5.6.2, 5.6.3, 5.7.1, 5.7.2, 5.8.1, 5.8.2, 5.8.3, 5.8.4, 5.8.5, 5.8.6, 5.8.7, 5.8.8, 5.9.1, 6.17.6, 7.1.1, 7.6.6, 9.12.1, 9.12.2, 9.14.1, 9.14.2, 9.18.3, 9.24.3, the Glossary and Appendix 1 with the addition of new clauses 5.2A.1, 5.2A.2, 5.2A.3, 5.3A.1, 5.3A.2, 5.3A.3, 5.3A.4, 5.9.2, 5.9.3 and 10.5.1(vD). |

2.2 Summary Details of the Proposal

Chapter 5 of the Market Rules currently outlines the process for the procurement of a Network Control Service (NCS) and how this service would be operated within the context of the Wholesale Electricity Market (WEM)¹. Late in 2009, the policy reasons for the current procurement framework were examined in greater detail. As such, the Office of Energy (OoE) presented an issues paper which recommended that the IMO give consideration to removing the requirement on the IMO to conduct the expression of interest (EOI) and tender processes.

Following from the endorsement of this concept by the Market Advisory Committee (MAC) at the April 2010 meeting, the IMO submitted a Rule Change Proposal which sought to:

- Remove the NCS EOI, tender and contracting processes from Chapter 5 of the Market Rules to allow a Network Operator to undertake these processes under the regulatory oversight of the Economic Regulation Authority; and
- Remove any potential cross subsidies from NCS energy payments associated with System Management issuing instructions under a NCS to either a generation or DSM facility. In particular the IMO proposed to amend the energy price paid by the market to NCS providers to:
 - For NCS provided through generation, MCAP; and
 - For NCS provided through DSM, zero.

The full details of the Rule Change Proposal are presented in Appendix 1.

¹ A Network Control Service (NCS) is a service provided by generation or Demand Side Management (DSM) that can be a substitute for transmission or distribution network upgrades. An NCS is provided under a Network Control Service Contract (NCSC).

2.3 The Proposal and the Wholesale Market Objectives

In its proposal, the IMO considered that the amendments will promote the economically efficient production and supply of electricity in the South West interconnected system (SWIS) (Market Objective (a)) by allowing a Network Operator to more effectively manage its own risk in contracting for NCSs. The amendments also remove the potential energy payment cross subsidy from Market Participants to the SWIS users benefitting from an NCS.

2.4 The Amending Rules Proposed by the IMO

The amendments to the Market Rules proposed by the IMO are available in the Rule Change Notice and presented in Appendix 2 of this report.

2.5 The IMO's Initial Assessment of the Proposal

The IMO decided to proceed with the proposal on the basis that its preliminary assessment indicated that the proposal was consistent with the Wholesale Market Objectives.

3. FIRST SUBMISSION PERIOD

The first submission period for this Rule Change Proposal was between 19 October 2010 and 29 November 2010.

3.1 Submissions received

The IMO received submissions from Landfill Gas & Power (LGP), Perth Energy and Synergy during the first submission period. The main points raised in the submissions are summarised below. A copy of the full text of all submissions is available on the IMO website.

In summary, all the submissions received during the first submission period supported the Rule Change Proposal. Specifically, Perth Energy and LGP agreed that it would be more appropriate for a Network Operator to be responsible for any tendering for NCS. Perth Energy and LGP also agreed that there is a potential for significant cross subsidies to exist under the current Market Rules, and so supported the proposed amendments to the energy prices paid to NCS suppliers. Perth Energy noted that cross subsidies in general lead to inefficient and sub-optimal economic outcomes. LGP considered that the extent to which additional payment is required is a matter for Western Power to negotiate and fund from network revenue.

Synergy noted that any Amending Rules should commence following the legislative amendments that give the Economic Regulation Authority (ERA) regulatory oversight of the NCS processes under the Access Code.

Additionally, Synergy suggested that there may be further benefit in extending the concept of a zero payment for DSM dispatched via NCS to zero payment for all DSM dispatched under the Market Rules. Synergy considered that DSM should not receive a further payment when dispatched as it produces no additional energy and incurs no additional cost that would require an energy payment that is not already covered by a capacity payment.

The assessment by submitting parties of whether the proposal would better facilitate the Wholesale Market Objectives is summarised below:

| Submitter | Wholesale Market Objective |
|--------------|--|
| LGP | Changes to the energy payments will better (a) |
| Perth Energy | Betters (a) and (b) |
| Synergy | Betters (a) and (d) |

3.2 The IMO's response to submissions received during the First Submission Period

In response to Synergy's suggestion of extending the concept of a zero payment for *all* DSM dispatched under the Market Rules, the IMO noted that this is an issue which falls outside the scope of this proposal. However, this issue was raised at the 10 November 2010 MAC meeting and was subsequently included in the Market Rules Issues Log.

3.3 Public Forums and Workshops

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

3.4 Additional Amendments to the Amending Rules

Following the closure of the first submission period, the IMO made additional changes to the proposed Amending Rules to give greater guidance on the dispatch order for System Management with regards to NCS. These amendments were made in consultation with System Management.

These additional amendments are presented in Appendix 3 of this report.

4. THE IMO'S DRAFT ASSESSMENT

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

5. THE IMO'S DRAFT DECISION

Based on the matters set out in the Draft Rule Change Report, the IMO's draft decision, in accordance with clause 2.7.7(f), was to accept the Rule Change Proposal as modified by the amendments outlined in section 3.4 and specified in Appendix 3 of this report.

The IMO made its decision on the basis that the Amending Rules:

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

6. SECOND SUBMISSION PERIOD

Following the publication of the Draft Rule Change Report on the IMO website, the second submission period was between 29 December 2010 and 10 February 2011.

6.1 Submissions received

The IMO received submissions from Synergy, System Management and Western Power during the second submission period, and an out of session submission from LGP following the second submission period. The main points raised in the submissions are summarised below. A copy of the full text of all submissions is available on the IMO website.

In summary, all of the submissions support the Rule Change Proposal. However, both System Management and Western Power raise concerns about the provisional commencement date of 1 July 2011. Both participants note that Western Power is currently putting into place an alternative NCS procurement process. While it is expected that this process should be finalised by 1 July 2011, the possibility of unexpected delays or impediments remains. Both System Management and Western Power consider that the commencement of the proposed Amending Rules should be delayed until Western Power has advised the IMO that the new NCS procurement process is in place.

Synergy understands that its earlier suggestion from the first submission period to reduce all DSM Dispatch Instruction Payments to zero is outside the scope of this Rule Change Proposal, but is pleased to note that this subject matter will be addressed as part of the IMO's broader Reserve Capacity Mechanism review.

In its submission, System Management suggests some minor changes to improve the clarity of the new clause 5.9.3 and the existing clause 7.13.1(dB).

The assessment by the submitting parties as to whether the proposal would better facilitate the Wholesale Market Objectives is summarised below:

| Submitter | Wholesale Market Objective |
|-------------------|--|
| Synergy | Betters (a) |
| System Management | Betters (a) and (b) |
| Western Power | Betters facilitates the achievement of the Wholesale Market Objectives |

6.2 The IMO's response to submissions

In their submissions, both System Management and Western Power raise concerns about the provisional commencement date of 1 July 2011. The IMO notes that should Western Power advise the IMO of a delay in implementing its procurement process the IMO will, under clause 2.8.12 of the Market Rules, extend the commencement date for this Rule Change Proposal, to allow Western Power the time it needs to complete the implementation.

System Management suggests the following changes to the new clause 5.9.3, considering it to be clearer than the wording originally proposed as it prevents defining the amounts in clauses 5.9.3(b), 5.9.3(c) and 5.9.3(d) twice:

- 5.9.3 The information provided by the IMO to a Network Operator under clause 5.9.2 must include, for each relevant Facility and Trading Interval:
- (a) the unique identifier of the Network Control Service Contract under which the Dispatch Instruction was issued;
 - (b) the MWh quantity by which the Facility was instructed by System Management to increase its output ~~as specified by System Management in accordance with clause 7.13.1(dB) (Loss Factor adjusted to the Reference Node)~~ or reduce its consumption as

~~specified by System Management in accordance with clause 7.13.1(dB) in accordance with clause 6.17.6(e)(i);~~

- (c) the per MWh price paid by the IMO for the quantity dispatched under the Network Control Service Contract in accordance with clause 6.17.6(e)(ii); and
- (d) the total amount paid by the IMO to the Market Participant for the quantity dispatched under the Network Control Service Contract in accordance with clause 6.17.6(e).

The IMO agrees with the intent of these amendments to clause 5.9.3, but notes that:

- the proposed wording suggested by System Management could be taken to imply that NCS Dispatch Instructions are issued in accordance with clause 6.17.6; and
- the amount specified in clause 6.17.6(e) is a sum over all NCS Facilities registered by the relevant Market Participant, while the amount required in clause 5.9.3(d) is for a single Facility.

The IMO has therefore amended clause 5.9.3, but not exactly as System Management suggested. However, the IMO considers that its amendments achieve the intent of System Management's proposed amendments.

The IMO agrees with System Management's suggested enhancement to clause 7.13.1(dB) and has included it in the proposed Amending Rules.

6.3 Additional amendments to the Amending Rules

Following the closure of the second submission period, the IMO made some additional changes to the proposed Amending Rules in response to the suggestions provided by System Management.

The IMO has also updated the proposed Amending Rules to reflect changes caused by the recent commencements of:

- RC_2010_04: Settlement in Default Situations – clause 9.24.3 has been amended and new clause 9.24.3A created, the latter clause now containing the reference to NCS payments which requires deletion; and
- RC_2010_26: Minor, Typographical and Manifest Errors – some minor punctuation changes have been made to clause 9.18.3(c)(ix).

These additional amendments are presented in Appendix 4 of this report.

7. THE IMO'S FINAL ASSESSMENT

In preparing its Final Rule Change Report, the IMO must assess the Rule Change Proposal in light of clauses 2.4.2 and 2.4.3 of the Market Rules. Clause 2.4.2 outlines that the IMO *“must not make Amending Rules unless it is satisfied that the Market Rules, as proposed to be amended or replaced, are consistent with the Wholesale Market Objectives”*.

Additionally, clause 2.4.3 states, when deciding whether to make Amending Rules, the IMO must have regard to the following:

- any applicable policy direction from the Minister regarding the development of the market;

- the practicality and cost of implementing the proposal;
- the views expressed in submissions and by the MAC; and
- any technical studies that the IMO considers necessary to assist in assessing the Rule Change Proposal.

The IMO notes that there has not been any applicable policy direction from the Minister in respect of this Rule Change nor has it commissioned a technical review in respect of this Rule Change Proposal.

The IMO’s assessment is outlined in the following sections.

7.1 Market Objectives

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

| Wholesale Market Objective | Consistent with objective |
|---|---------------------------|
| (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system | Yes |
| (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors | Yes |
| (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 | Yes |
| (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system | Yes |
| (e) to encourage the taking of measures to manage the amount of electricity used and when it is used | Yes |

Further, the IMO considers that the Market Rules if amended would not only be consistent with the Wholesale Market Objectives but also allow the Market Rules to better address Wholesale Market Objective (a).

| Impact | Wholesale Market Objectives |
|--|-----------------------------|
| Allow the Market Rules to better address objective | a |
| Consistent with objective | b, c, d, e |
| Inconsistent with objective | - |

The proposed amendments will allow a Network Operator to more effectively manage its own risk in contracting for NCS and also remove potential cross subsidy energy payments from Market Participants to the SWIS users benefitting from a NCS. The IMO considers that this will promote the economically efficient production and supply of electricity in the SWIS.

7.2 Practicality and cost of implementation

Cost:

The proposed amendments will require changes to the Wholesale Electricity Market Systems operated by the IMO. The costs to the IMO are estimated to be approximately \$43,300 AUD.

There will be additional costs relating to the update of the following IMO Market Procedures:

- Procurement of NCS²;
- Prudential Requirements;
- Certification of Reserve Capacity;
- Declaration of Bilateral Trades and Reserve Capacity Auction;
- Facility Registration, de-Registration and Transfer;
- Reserve Capacity Testing; and
- Settlement.

These changes are expected to fall within the IMO's normal operating budget.

Additionally, the following Power System Operation Procedures may need to be updated by System Management:

- Dispatch;
- Operational Data Points for Generating Plant; and
- Operational Data Points for Non Western Power Networks, Substations, and Loads.

System Management has not advised the IMO of any additional costs in relation to these updates.

Practicality:

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

7.3 Views expressed in submissions

The IMO received three submissions during the first submission period, all supporting the proposed amendments. Synergy suggested that the concept of a zero payment for DSM dispatched via an NCS be expanded to cover all DSM dispatched under the Market Rules. The IMO considered that this suggestion fell outside of the scope of the Rule Change Proposal.

The IMO received three submissions during the second submission period and one later, out of session submission. All of the submissions received supported the Rule Change Proposal. Two submissions raised concerns regarding the proposed commencement date, noting the possibility of delays in the implementation of Western Power's alternative NCS procurement process. System Management's submission contained a number of suggested enhancements to the drafting of the proposed Amending Rules to improve their clarity. The IMO's response to the issues raised during the second submission period is presented in section 6.2 of this report.

² This Market Procedure will be revoked as it will no longer be required.

7.4 Views expressed by the Market Advisory Committee

The proposal was discussed at the 14 April 2010, 11 August 2010, 8 September 2010, 13 October 2010 and 15 December 2010 MAC meetings. Further details are available in the MAC meeting minutes available on the IMO website: <http://www.imowa.com.au/market-advisory-committee>.

The following points were raised during the meetings.

14 April 2010 meeting:

During the meeting, the OoE presented its issues paper “Network Control Service as an Alternative to Network Augmentation”. It was noted that during 2009 the IMO had facilitated a number of workshops on NCS between System Management, ERA, Western Power and OoE. The goal of these workshops had been to try to facilitate the NCS procurements processes within the current legislative framework. Late in 2009, the policy reasons for the original procurement framework were examined in greater detail. As a result the OoE had put forward in its issues paper a recommendation that Western Power tender for and contract with a NCS provider, with ERA to conduct regulatory oversight.

The following additional points were raised.

- A member noted that the energy costs would be allocated to the network users who would benefit but queried if those users would be consulted prior to any large costs being unexpectedly imposed. The OoE clarified that existing users would not be required to make any retrospective payments with only new users being required to cover any incurred costs.
- Western Power noted that the proposed treatment of energy costs would be similar to the Capital Contributions policy. That is it would only be able to levy costs through regulated network tariffs which satisfy the New Facilities Investment Test, additional energy costs would need to be finance by some other means.
- The possibility of removing Chapter 5 in its entirety was raised but it was noted that some provisions in Chapter 5 related to the operation of NCSs which would need to be maintained.
- A member queried why any payments to the market should be made to NCS services. In response, it was noted that when System Management dispatches these Facilities, there is an energy flow that needs to be attributed to an individual and that the associated costs need to be correctly distributed to those individuals.
- The MAC agreed with the concept that NCS procurement and contracting functions be shifted to Western Power and that the IMO should look to amend the Market Rules to reflect this.

11 August 2010 meeting:

During the meeting the IMO noted that in preparing the Pre Rule Change Discussion Paper a number of areas for additional consideration by the MAC had been identified. Specifically, the following points were raised.

- The IMO noted that it had sought to resolve the potential cross subsidy in NCS energy payments from all Market Participants to the users benefitting from the NCS. As such the IMO proposed that NCS provided by generation be paid at MCAP, while NCS provided by DSM be paid zero.

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- A member queried whether potential of NCS providers would accept the MCAP energy price. In response, the IMO noted that MCAP is the only price paid by the market and the Network Operator would likely pay the difference between MCAP and a contractually agreed energy price.
- A member questioned why the Network Operator was not liable for the entire payment given that the service was a substitute for a transmission solution for which only the affected network users would pay. In response the IMO noted that the MCAP payment was needed because electricity was being generated and purchased by the balancing generator and if the Network Operator paid for this and passed the charge through to customers, then those customers would be paying for their electricity twice.
- Concerns about whether Western Power had the necessary powers under sections 41 and 42 of the Electricity Corporations Act were discussed. It was agreed by the MAC that OoE and Western Power would discuss the future provision of NCS off-line and update the MAC.
- Capacity payments for NCS providers were discussed with regard to the potential double payment issue. The IMO noted that capacity payments for NCS providers were expected to be dealt with in a similar way to NCS energy payments, in that the Network Operator would pay the NCS provider the difference between the amount paid by the market and the total (availability or energy) payment due under the NCS contract.
- A member queried whether the IMO had considered the scenario of a generator located behind an existing network connection (and serving an Intermittent Load) being contracted to provide NCS and the settlement issues if the metering at the site did not measure the output of the generator directly. The IMO agreed to investigate potential settlement issues relating to NCS provision by generators supplying an Intermittent Load and lacking independent metering and report back to the MAC.
- The proposed exclusion of the provision of NCS payment terms to System Management was discussed. Members suggested that this information could be used by System Management in its dispatch planning. The Chair questioned why Western Power would not give System Management an NCS merit order for NCS dispatch. Western Power noted that determination of a merit order would not be simple, as several factors would need to be considered. Western Power and System Management agreed to discuss the provision of NCS payment terms to System Management and advise the IMO whether the Rule Change Proposal should to remove the proposed exclusion.

8 September 2010 meeting:

During the meeting the following status updates for the action points resulting from the August MAC Meeting were noted.

- The OoE noted that, it had requested a copy of Western Power's legal advice which stated that Western Power did not have the necessary power to contract for NCS. The OoE noted that it was now considering several options to address the issue such as an inclusion of heads of power for NCS in the upcoming Electricity Legislation Amendment Bill.
- The ERA secretariat confirmed that no additional changes to the proposal were needed to support the ERA monitoring requirements as these would be handled under the Access Code.

13 October 2010 meeting:

The IMO presented an updated Pre Rule Change Proposal to the MAC. The following points were noted:

- The OoE noted that it had met with Western Power to discuss its concerns relating to the future provision of NCS. The OoE noted that it continued to have some concerns with Western Power's legal position of being prohibited under the Electricity Corporations Act to contract for NCS. The OoE noted that it would continue to work with Western Power to address these and that in the meanwhile it had initiated the regulatory process for the necessary legislative arrangements to provide the required heads of power.
- The OoE noted that it was preparing an issues paper to aide consultation with stakeholders, scheduled to be undertaken in early 2011.
- The ERA questioned whether the proposed amendments would have an impact if they were not in place when procurement of NCS needs to be undertaken by Western Power. The IMO noted that there would be issues with the way the energy flows and payments would work in the Market Rules.
- The Chair questioned whether there was a requirement for a Market Participant awarded an NCS contract to include on-site metering. A member noted that if not, there would be an impact on settlement.
- System Management noted its uncertainty around how the merit order for NCS and pay as bid would work. It was suggested that payment details for NCS contracts could be provided to System Management but it was noted that this would not constitute a merit order. The IMO and System Management agreed to discuss whether any additional amendments to the Market Rules would be required to ensure that NCS is included in the Dispatch Merit Order.
- The IMO noted that the proposal does not include NCS instructions to Non-Scheduled Generators to decrease output. It was agreed that this issue was not a high priority and would be pursued at a later stage if deemed necessary.
- The MAC agreed for the IMO to progress the Rule Change Proposal, subject to any implementation date being tied to the outcomes of the OoE's regulatory changes.

15 December 2010 meeting:

Western Power provided the MAC with an update. It was noted that the OoE and Western Power now agree that there are no regulatory or statutory obstacles to Western Power contracting for NCS. This is supported by the legal views that this does not constitute purchase of electricity. Notwithstanding this, the OoE may consider making the parts of the Access Code relating to NCS clearer as part of the upcoming review of the Access Code.

With regards to implementation, Western Power noted that it has:

- produced the first draft of an NCS technical specification; and
- engaged a consultant to assist with the development of a standard form contract.

8. THE IMO'S FINAL DECISION

Based on the matters set out in this report, the IMO's final decision, in accordance with clause 2.7.8 (e), is to accept the Rule Change Proposal as modified by the amendments outlined in sections 3.4 and 6.3 and specified in Appendices 3 and 4 of this report.

8.1 *Reasons for the Decision*

The IMO has made its decision on the basis that the Amending Rules:

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

Additional detail outlining the analysis behind the IMO's decision is outlined in section 7 of this Final Rule Change Report.

9. AMENDING RULES

9.1 *Commencement*

The amendments to the Market Rules resulting from this Rule Change Proposal will commence at **8.00am** on **1 July 2011**.

9.2 *Amending Rules*

The IMO's final decision is to amend the Market Rules. The following clauses are amended (~~deleted wording~~, new wording):

2.1.2. The functions of the IMO are:

...

- (e) ~~to administer tender processes for Network Control Services where required by these Market Rules and to enter into Network Control Service Contracts;~~ [Blank]

...

2.8.13. The following clauses are Protected Provisions:

- (a) clauses 1.1 to 1.3 and 1.5 to 1.9 ;
- (b) clauses 2.1 to 2.24, 2.28, 2.31.1, 2.31.3, 2.31.5(a), 2.31.6, 2.34.1 and 2.36.1;
- (c) clauses 3.15, 3.18.18 and 3.18.19;
- (d) clauses 4.1.4 to 4.1.12, 4.1.15 to 4.1.19, 4.1.21, 4.1.22, 4.1.24, 4.1.27, 4.5.10, 4.5.11, 4.5.15 to 4.5.20, 4.13.10, 4.13.10A, 4.13.11, 4.13.11A, 4.13.11B, 4.16, 4.24.1, 4.24.2 and 4.24.12;
- (e) ~~clauses 5.2.3, 5.2.7 and 5.5.1;~~ [Blank]
- (f) clauses 9.16.3, 9.16.4 and 9.20.2; and
- (g) clauses 10.1.1, 10.1.2, 10.2.1, 10.3 and 10.4.

2.17.1. Decisions by the IMO made under the following clauses are Reviewable Decisions:

...

- (h) clauses 2.37.1 to 2.37.3;
- ~~(i) clause 2.37.6 and 2.37.7; [Blank]~~
- (j) clause 4.9.9;
- (k) clause 4.15.1;
- (l) clause 4.27.7;
- (m) clause 4.28.7; and
- ~~(n) clauses 5.2.6 and 5.2.7; [Blank]~~
- ~~(o) clause 5.3.6; and [Blank]~~
- (p) clause 10.2.1.

2.22.1. For the purposes of this clause 2.22, the services provided by the IMO are:

- (a) market operation services, including the IMO's operation of the Reserve Capacity market, STEM and Balancing and the IMO's settlement and information release functions;
- (b) system planning services, including the IMO's performance of the Long Term PASA function ~~and functions under Chapter 5~~; and
- (c) market administration services, including the IMO's performance of the Market Rule change process, Market Procedure change process, the operation of the Market Advisory Committee and other consultation, monitoring, enforcement, audit, registration related functions and other functions under these Market Rules.

~~2.37.6. The IMO must determine a Credit Limit for each Network Operator that is required under these Market Rules to fund a Network Control Service Contract, where this Credit Limit is the dollar amount determined by the IMO as being equal to maximum possible amount payable over a 70 day period under the Network Control Service Contracts relating to the Network Operator. [Blank]~~

~~2.37.7. The IMO must review the Network Operator's Credit Limit when a Network Control Services Contract relating to the Network Operator commences or terminates. [Blank]~~

~~2.37.8. The IMO must notify each Market Participant, and each Network Operator required to fund a Network Control Service Contract, of their Credit Limit, and provide details of the basis for the determination of the Credit Limit.~~

2.38.1. Where at any time a Market Participant, ~~or Network Operator that is required to fund a Network Control Service Contract~~, does not meet the Acceptable Credit Criteria set out in clause 2.38.6, then the Market Participant, ~~or Network Operator required to fund a Network Control Service Contract~~, must ensure that the IMO holds the benefit of Credit Support in an amount not less than its Credit Limit.

- 2.38.2. Where a Market Participant's ~~or a Network Operator's~~ existing Credit Support is due to expire or terminate, then that Market Participant ~~or Network Operator~~ must, at least 10 Business Days before the time when the existing Credit Support will expire or terminate, ensure that the IMO holds the benefit of a replacement Credit Support in an amount not less than the level required under clause 2.38.1 that will become effective at the expiry of the existing Credit Support.
- 2.38.3. Where a Market Participant's ~~or a Network Operator's~~ Credit Limit is increased, or where the existing Credit Support is no longer current or valid (for example, because the credit support provider ceases to meet the Acceptable Credit Criteria) or where some or all of the Credit Support has been drawn on by the IMO in accordance with these Market Rules, then that Market Participant ~~or Network Operator~~ must ensure that the IMO holds the benefit of a replacement Credit Support in an amount not less than the level required under clause 2.38.1 within one Business Day.
- 2.38.4. The Credit Support for a Market Participant ~~or Network Operator~~ must be:
- (a) an obligation in writing that:
 - i. is from a credit support provider, who must be an entity which meets the Acceptable Credit Criteria and which itself is not a Market Participant;
 - ii. is a guarantee or bank undertaking in a form prescribed by the IMO;
 - iii. is duly executed by the credit support provider and delivered unconditionally to the IMO;
 - iv. constitutes valid and binding unsubordinated obligations to the credit support provider to pay to the IMO amounts in accordance with its terms which relate to obligations of the relevant Market Participant ~~or Network Operator~~ under the Market Rules; and
 - v. permits drawings or claims by the IMO to a stated amount; or
 - (b) a cash deposit ("**Security Deposit**") made with the IMO by or on behalf of the Market Participant ~~or Network Operator~~.
- 2.38.5. Where Credit Support is provided as a Security Deposit in accordance with clause 2.38.4(b), it will accrue interest daily at the Bank Bill Rate, and the IMO must pay the Market Participant ~~or Network Operator~~ the interest accumulated at the end of each calendar month less any liabilities and expenses incurred by the IMO, including bank fees and charges.

5 Network Control Services Procurement

Network Control Service Tender Process and Timelines

5.1. Definitions and ~~Obligations~~

- 5.1.1. A Network Control Service is ~~any service specified according to clause 5.2.1 a service provided by distributed generation or demand side management that can be a substitute for transmission or distribution network upgrades.~~
- 5.1.2. A Network Control Service Contract is a contract between ~~the IMO~~ a Network Operator and a Market Participant for the Market Participant to provide a Network Control Service.
- 5.1.3. The IMO ~~must not enter into a Network Control Service Contract except:~~
- (a) ~~following a tender process under clause 5.4; or~~
 - (b) ~~in the case of a Network Control Service Contract to apply from Energy Market Commencement, with the approval of the Minister. [Blank]~~
- 5.1.4. ~~The IMO must seek to carry out the expression of interest, certification and tender processes in this Chapter 5 in a way that minimises its costs of doing so. [Blank]~~

5.2. Network Control Service Procurement Requirements [Blank]

- 5.2.1. ~~Where required by the Access Code to submit a major augmentation, as defined in the Access Code, to the tender process set out in the Market Rules, a Network Operator must notify the IMO of the opportunity for network support generation or Demand Side Management to compete with a transmission or distribution upgrade. The notification must include:~~
- (a) ~~a specification of the services that would be required from the facility, including:
 - i. ~~the maximum active and reactive power quantities required, specified in MW and MVAR;~~
 - ii. ~~the estimated number of hours per year that the services would be required; and~~
 - iii. ~~the required period of notice to call upon the services;~~~~
 - (b) ~~the location at which the facility would need to connect to the relevant network;~~
 - (c) ~~the Network Operator's estimate of the costs involved in connecting a generation facility that could provide the services specified in paragraph (a) from the location specified in paragraph (b);~~
 - (d) ~~the date by which the facility is required to be in service;~~
 - (e) ~~the Network Operator's estimate of the cost of an augmentation to the Network that would provide the services; and~~
 - (f) ~~the minimum period over which the services would be required, from the date specified in paragraph (d). [Blank]~~

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- 5.2.2. ~~The minimum period over which the Network Control Service is required is the period specified under clause 5.2.1(f). The IMO may at any time extend the length of the contracted period. [Blank]~~
- 5.2.3. ~~The IMO must call for expressions of interest from potential service providers to identify whether any other person could provide the required Network Control Service. [Blank]~~
- 5.2.4. ~~A person (“**potential service provider**”) may submit a written expression of interest to the IMO indicating that the potential service provider considers that it would be able to provide the Network Control Service. The expression of interest must contain:~~
- ~~(a) — the approximate quantity of the Network Control Service that the potential service provider would be able to supply;~~
 - ~~(b) — whether the Network Control Service will be provided by a generation facility or Demand Side Management option;~~
 - ~~(c) — indicative arrangements for activating the Network Control Service;~~
 - ~~(d) — the approximate cost of the Network Control Service; and~~
 - ~~(e) — other material terms and conditions which the potential service provider proposes would apply to the provision of the Network Control Service. [Blank]~~
- 5.2.5. ~~An expression of interest is not binding on the potential service provider. A person is not required to have submitted an expression of interest to submit a tender response for any Network Control Service tender under clause 5.4. [Blank]~~
- 5.2.6. ~~Where, after considering the responses to the expression of interest, the IMO identifies that no person could provide the required Network Control Service for a cost that is less than 50% above the Network Operator’s estimate referred to in clause 5.2.1(e), then the IMO must:~~
- ~~(a) — notify that Network Operator that there are no other alternative providers; and~~
 - ~~(b) — notify each person that submitted an expression of interest that no tender will be held. [Blank]~~
- 5.2.7. ~~Where the IMO identifies that a person other than the Network Operator described in clause 5.2.1 could provide the required Network Control Service, for a cost that is less than 50% above the Network Operator’s estimate referred to in clause 5.2.1(e), then the IMO must:~~
- ~~(a) — make the announcement in clause 5.4.1 within 10 Business Days of the closing date for expressions of interest; and~~
 - ~~(b) — carry out the tender process described in clause 5.4. [Blank]~~

5.2A Registration and Certification

5.2A.1. Where a Market Participant enters into a Network Control Service Contract for a Facility, the Market Participant must ensure that the Facility is registered as a Registered Facility during the period for which Network Control Services are to be provided under the Network Control Service Contract.

5.2A.2 Where a Market Participant enters into a Network Control Service Contract for a Facility then the Market Participant must apply to the IMO for Certified Reserve Capacity in respect of the Facility, in respect of each Reserve Capacity Cycle that the Facility would be eligible to participate in over the period for which Network Control Services will be provided under the relevant Network Control Service Contract.

~~5.3. Network Control Service Certification [Blank]~~

~~5.3.1. A person must be registered as a Market Participant before applying for a Facility to be certified under clause 5.3.2. [Blank]~~

~~5.3.2. A Market Participant wishing to submit a Network Control Service tender under clause 5.4 must apply to the IMO for certification that the IMO considers that the Facility can provide the relevant Network Control Service and of the level of that service that the IMO considers the Facility can reliably provide (“**Network Control Service Certification**”). [Blank]~~

~~5.3.3. The Network Operator referred to in clause 5.2.1 does not need to apply to the IMO for certification. [Blank]~~

~~5.3.4. A Market Participant may apply for Network Control Service Certification in respect of a Facility that is not a Registered Facility. [Blank]~~

~~5.3.5. The Market Participant applying for Network Control Service Certification must provide to the IMO the information specified for this purpose in the Network Control Service Procedure. [Blank]~~

~~5.3.6. The IMO may certify a Facility for a level of Network Control Service. The IMO must only certify a Facility for a level that the IMO is satisfied that the Facility can reliably provide. [Blank]~~

~~5.3.7. A Network Control Service Certification must contain:~~

- ~~(a) — the Network Control Service tender for which the Network Control Service Certification was issued;~~
- ~~(b) — the Facility to which the Network Control Service Certification pertains;~~
- ~~(c) — the quantity of Network Control Service that may be reliably provided by the Facility, including any additional conditions or performance information; and~~
- ~~(d) — the notice period for calling upon the Network Control Service. [Blank]~~

- 5.3.8. ~~Network Control Service Certifications expire after the IMO announces the results of the Network Control Service tender to which they relate. [Blank]~~
- 5.3.9. ~~The IMO must document the procedure it follows in processing applications for Network Control Service Certification in the Network Control Service Procedure, and the IMO, Market Participants and Network Operators must follow that documented Market Procedure when processing Network Control Service Certification applications. [Blank]~~

5.3A Information required from the Network Operator

- 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:
- (a) the identity of the Market Participant;
 - (b) the identity of the Facility providing the service;
 - (c) a unique identifier for the Network Control Service Contract;
 - (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.
- 5.3A.2 When any change occurs to the details of a Network Control Service Contract listed in clause 5.3A.1 the Network Operator must inform the IMO as soon as practicable.
- 5.3A.3. When a Network Operator has entered into a Network Control Service Contract with a Market Participant, the Network Operator must provide System Management with the details of the Network Control Services Contract to enable System Management to dispatch the services provided under it.
- 5.3A.4 When any change occurs to the details of a Network Control Service Contract provided to System Management under clause 5.3A.3 the Network Operator must inform System Management as soon as practicable.

5.4. Network Control Service tenders [Blank]

- 5.4.1. ~~Where it is required to carry out a tender process for Network Control Service, the IMO must publish details of the tender process and timelines, including:~~
- ~~(a) the date by which Network Control Service Certification must be obtained for a tender to be submitted;~~
 - ~~(b) the date on which the invitation to tender will be published;~~
 - ~~(c) the last date on which the tenders may be submitted; and~~
 - ~~(d) the date on which the IMO will announce the results of the tender process. [Blank]~~

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- 5.4.2. ~~By the date specified in clause 5.4.1(a), Market Participants wishing to submit a tender must have secured Network Control Service Certification for the relevant Facility in accordance with clause 5.3. [Blank]~~
- 5.4.3. ~~By the date specified in clause 5.4.1(b), the IMO must issue an invitation to tender for the acquisition of the relevant Network Control Service. [Blank]~~
- 5.4.4. ~~An invitation to tender for the acquisition of a Network Control Service must contain:~~
- ~~(a) — the quantity of the Network Control Service to be acquired under the invitation to tender including location and timing of the requirements, and any other limitations on the provision of the service, including minimum acceptable quantities;~~
 - ~~(b) — the period over which the service is to be provided, determined in accordance with clause 5.2.2, including details of any extension options;~~
 - ~~(c) — terms and conditions of the tender, including proposed terms and conditions for the Network Control Service Contracts to be entered into as a result of the tender process;~~
 - ~~(d) — the required format and content of tender responses, including:
 - ~~i. — the name and contact details of the tenderer;~~
 - ~~ii. — the Facility which will provide the Network Control Service;~~
 - ~~iii. — the quantity of the Network Control Service available from the Facility and any limitations on the time periods for which the Network Control Service will be available, including where applicable:
 - ~~1. — times of the day, of the week, or of the year for which the Facility will not be available to provide the Network Control Service, or will only be able to provide the service in reduced quantity or subject to other restrictions;~~
 - ~~2. — a maximum number of times which the Facility may be called upon to provide the Network Control Service in a time period;~~
 - ~~3. — the maximum duration of each occasion when the Facility may be called upon to provide the Network Control Service; and~~
 - ~~4. — a maximum cumulative duration for which the Facility may be called upon to provide the Network Control Service in a time period;~~~~
 - ~~iv. — availability of the Facility, including arrangements when Planned Outages are scheduled;~~~~

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- v. ~~the notice period for calling on the Facility to provide the Network Control Service;~~
 - vi. ~~whether the IMO must accept the entire quantity offered, or whether it can accept a part of the quantity offered;~~
 - vii. ~~an offered Monthly Availability Payment amount in dollars; and~~
 - viii. ~~an offered per MWh price to apply when the Facility is called upon to provide the Network Control Service; and~~
- ~~(e) process details for submitting tenders. [Blank]~~
- 5.4.5. A Market Participant or the Network Operator referred to in clause 5.2.1 may respond to the invitation to tender by submitting written tenders in the form, and by the date, specified in the invitation to tender. A Market Participant or the Network Operator referred to in clause 5.2.1 may offer for all or part of the Network Control Service requirements. [Blank]
- 5.4.6. A Market Participant submitting a tender in response to an invitation to tender must not offer more capacity than is indicated by the relevant Network Control Service Certification. [Blank]
- 5.4.7. A Market Participant submitting a tender in response to an invitation to tender must not offer a per MWh price to apply when the Facility is called upon to provide the Network Control Service that is greater than the Alternative Maximum STEM Price. [Blank]
- 5.4.8. In determining the result of a tender process, and entering into Network Control Service Contracts, the IMO must seek to achieve the lowest total cost of the tenders selected, evaluating each tender on the basis of:
- (a) ~~the offered Monthly Availability Payment amount contained in the tender;~~
 - (b) ~~plus an amount equal to:~~
 - i. ~~the offered per MWh price to apply when the Facility is called upon to provide the Network Control Service contained in the tender;~~
 - ii. ~~multiplied by the estimated number of hours per year that the services would be required specified in accordance with clause 5.2.1(a)(ii) divided by 12. [Blank]~~
- 5.4.9. The IMO is not under any obligation to accept any tender, or enter into a Network Control Service Contract in respect of any tender, made in response to an invitation to tender under this clause 5.4. However, where the IMO accepts a tender, it must accept it in relation to the entire quantity offered unless the relevant Market Participant or Network Operator indicated that the IMO may accept a part of the quantity offered. [Blank]

- 5.4.10. ~~The IMO must notify each Market Participant and Network Operator that submitted a tender as to whether it has been successful by the date specified in accordance with clause 5.4.1(d). [Blank]~~
- 5.4.11. ~~Where a selected tender response is not from the Network Operator referred to in clause 5.2.1, then the IMO and the selected Market Participant must execute a Network Control Service Contract. [Blank]~~
- 5.4.12. ~~Where a selected tender response is not from the Network Operator referred to in clause 5.2.1, then the selected Market Participant must apply to the IMO for Certified Reserve Capacity in respect of each of the Facilities set out in the selected tender response, in respect of each Reserve Capacity Cycle that each Facility would be eligible to participate in over the period for which Network Control Services will be provided under the relevant Network Control Service Contract. [Blank]~~
- 5.4.13. ~~Where a Market Participant executes a Network Control Service Contract pertaining to a Facility, the Market Participant must ensure that the Facility is registered as a Registered Facility during the period for which Network Control Services are to be provided under the Network Control Service Contract. [Blank]~~
- 5.4.14. ~~The IMO must document the procedure it follows in carrying out Network Control Service tender processes in the Network Control Service Procedure, and:~~
- ~~(a) — the IMO must follow that documented Market Procedure when carrying out tender processes under this clause 5.4; and~~
 - ~~(b) — Market Participants and Network Operators must follow that documented Market Procedure when participating in a tender process under this clause 5.4. [Blank]~~

~~**Network Control Service Contracts**[Blank]~~

~~**5.5. Contract Conditions**[Blank]~~

- 5.5.1. ~~Prior to the first tender process under clause 5.4, the IMO must develop a standard form Network Control Service Contract which accords with the requirements of this clause 5.5. [Blank]~~
- 5.5.2. ~~The IMO must consult with System Management when developing or amending the standard contractual terms. [Blank]~~
- 5.5.3. ~~A standard form Network Control Service Contract must contain the following:~~
- ~~(a) — the Network Control Service being provided;~~
 - ~~(b) — the duration of the contract, in accordance with clause 5.2.2, and specifying any extension options;~~
 - ~~(c) — the procedures for the IMO, via System Management, to call on the Facility to provide the service, including:~~

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- ~~i. operational arrangements under which the IMO will allow System Management to call on the relevant Facility to provide the service;~~
 - ~~ii. the quantities of the service that will be provided, including where applicable, any limitations on the time periods for which the relevant Facility can be called on to provide the service, including:
 - ~~1. times of the day, or of the week, or of the year at which the relevant Facility cannot be called on to provide the service, or can only be called on to provide the service in reduced quantity or with other restrictions;~~
 - ~~2. a maximum number of times which the relevant Facility can be called on to provide the service, in a week, or in a year, as applicable;~~
 - ~~3. the maximum duration of each occasion when the relevant Facility can be called on to provide the service; and~~
 - ~~4. a maximum cumulative duration for which the relevant Facility can be called on to provide the Network Control Service in a day, or in a week, or in a year, as applicable.~~~~
 - ~~iii. availability of the service, including arrangements when Planned Outages of the Facility are scheduled; and~~
 - ~~iv. the notice period for calling on the relevant Facility to provide the service.~~
- ~~(d) the Facility that will provide the service, and a requirement that the Facility is registered as a Registered Facility during the period for which Network Control Service are to be provided;~~
 - ~~(e) any conditions required to ensure that if the relevant Facility is transferred or disposed of, the transferee will be bound by the contract obligations (for example, by requiring the execution of a deed of assumption or novation);~~
 - ~~(f) the technical standards which the relevant Facility must comply with;~~
 - ~~(g) the Monthly Availability Payment and monthly payment terms, which must be in accordance with clause 5.8;~~
 - ~~(h) the per MWh price to apply when the Facility is called upon to provide the service;~~
 - ~~(i) measurement of the quantity of service provided;~~
 - ~~(j) compliance standards, testing procedures and liquidated damages for the Market Participant, which must be in accordance with clause 5.6;~~

- ~~(k) — procedures for the Market Participant to inform the IMO and System Management when the capability of any of the relevant Facilities to provide the service changes materially;~~
- ~~(l) — contract modification procedures;~~
- ~~(m) — provisions dealing with contract suspension, default, termination, force majeure conditions, and assignment; and~~
- ~~(n) — such other terms and conditions as the IMO considers appropriate.~~
[Blank]

5.5.4. ~~Despite the existence of the standard form Network Control Service Contract, the IMO may enter into a Network Control Service Contract that varies from the standard form Network Control Service Contract. The IMO must consult with System Management before entering into a Network Control Service Contract that varies substantially from the terms of the standard form.~~ [Blank]

5.6. ~~Network Control Service Contract Compliance Conditions~~[Blank]

5.6.1. ~~Testing processes, compliance processes and non-compliance liquidated damages are to be defined within each Network Control Service Contract.~~ [Blank]

5.6.2. ~~If the Market Participant fails to provide a Network Control Service in the quantity and at the time and location requested by the IMO or System Management in accordance with the contract, the IMO and the Market Participant must follow the procedure in the Network Control Service Contract.~~ [Blank]

5.6.3. ~~A Network Control Service Contract must contain a procedure to be used following the failure of a Market Participant to provide a Network Control Service in the quantity and at the time and location requested by the IMO or System Management in accordance with the contract, and this procedure must include:~~

- ~~(a) — a requirement that the IMO must issue to the Market Participant a request for:
 - ~~i. — a written explanation; and~~
 - ~~ii. — a written plan to remedy the failure;~~~~
- ~~(b) — a requirement that the Market Participant must respond to the request within five Business Days of receiving the request; and~~
- ~~(c) — if the IMO finds the explanation or the plan to remedy the failure to be unsatisfactory, then it may, in accordance with the Network Control Service Contract:
 - ~~i. — require a test of the Registered Facility's ability to provide the Network Control Service in accordance with the contract terms. The Market Participant must bear its own costs associated with the tests; and~~~~

- ii. ~~withhold or reduce the Market Participant's payments for the Network Control Service for a period. [Blank]~~

5.7. Network Control Service Dispatch

- 5.7.1. ~~The IMO must provide System Management with the details of the Network Control Services Contract to enable System Management to dispatch the services provided under it. Despite this, the Network Operator must not provide System Management with the payment terms of the contract, which must be kept confidential. [Blank]~~
- 5.7.2. System Management may call upon the relevant Facility to provide services under a Network Control Services Contract in accordance with the terms of the contract, as advised to it by the Network Operator in accordance with clause 5.3A.3 and amended in accordance with clause 5.3A.4.

Payments and Settlement Data

5.8. Network Control Service Contracts Payments [Blank]

- 5.8.1. ~~The monthly Network Control Service Contract payment to a Market Participant that has a Network Control Service Contract with the IMO in respect of a Facility is to be the greater of zero and:
 - (a) ~~the Monthly Availability Payment determined in accordance with the contract; less~~
 - (b) ~~the value of Capacity Credits held by the Market Participant for that Facility, where this value is the sum of the total value of all of those Capacity Credits, where each Capacity Credit is valued at the applicable Monthly Reserve Capacity Price even if those Capacity Credits are traded bilaterally; less~~
 - (c) ~~the value of any liquidated damages payable under the contract in respect of a failure of the Market Participant to meet its obligations under the Network Control Service Contract. [Blank]~~~~
- 5.8.2. ~~The IMO must pay the Market Participant the monthly Network Control Service Contract payment in accordance with Chapter 9. [Blank]~~
- 5.8.3. ~~The Network Operator referred to in clause 5.2.1 must pay the IMO the monthly Network Control Service Contract payment in accordance with Chapter 9. [Blank]~~
- 5.8.4. ~~After receiving the notification described in clause 5.2.1 but before commencing Network Control Services procurement, the IMO may estimate the costs described in clause 5.8.5(a), and invoice the Network Operator referred to in clause 5.2.1 for the estimated amount. [Blank]~~
- 5.8.5. ~~The IMO must determine the dollar amount that is:
 - (a) ~~the costs it has incurred in:
 - i. ~~the expression of interest process described in clause 5.2;~~~~~~

- ~~ii. the certification process described in clause 5.3;~~
 - ~~iii. the tender process described in clause 5.4,~~
in respect of any tender process for Network Control Services
- ~~(b) less the amount received under any relevant invoice issued under clause 5.8.4. [Blank]~~
- 5.8.6. ~~Where the dollar amount determined in clause 5.8.4 is a positive amount, the IMO must issue an invoice to the Network Operator referred to in clause 5.2.1, and subject to clause 5.8.8, the Network Operator must pay the IMO the invoiced amount. [Blank]~~
- 5.8.7. ~~Where the dollar amount determined in clause 5.8.4 is a negative amount, the IMO must issue an invoice the Network Operator referred to in clause 5.2.1, and subject to clause 5.8.8, the IMO must pay the Network Operator the determined amount. [Blank]~~
- 5.8.8. ~~Where the Network Operator disputes the amount on an invoice issued under clauses 5.8.4, 5.8.6 or 5.8.7, the dispute resolution process set out in clauses 2.18 to 2.20 apply. [Blank]~~
- 5.9. Settlement Data**
- 5.9.1. The IMO must provide the following information to the settlement system:
 - ~~(a) for each month's Network Control Service Contract Payment:~~
 - ~~i. the amount of the payment set out in accordance with clause 5.8.1;~~
 - ~~ii. the Market Participant to which the payment will be made; and~~
 - ~~iii. the Network Operator by which the payment will be made. [Blank]~~
 - (b) for each Network Control Service Contract energy payment:
 - i. ~~the prices set out in the Network Control Service Contract in accordance with clause 5.5.3(h); and [Blank]~~
 - ii. the Market Participant to which the payment will be made.
- 5.9.2. The IMO must provide Network Operators with details of any quantities dispatched under their Network Control Service Contracts in a Trading Month by 5:00 PM on the Invoicing Date for Non-STEM Settlement Statements for that Trading Month.
- 5.9.3 The information provided by the IMO to a Network Operator under clause 5.9.2 must include, for each relevant Facility and Trading Interval:
 - (a) the unique identifier of the Network Control Service Contract under which the Dispatch Instruction was issued;

- (b) the MWh quantity by which the Facility was instructed by System Management to increase its output or reduce its consumption, as specified in clause 6.17.6(e)(i);
- (c) the per MWh price paid by the IMO for the quantity dispatched under the Network Control Service Contract, as specified in clause 6.17.6(e)(ii); and
- (d) the total amount paid by the IMO to the Market Participant for the quantity dispatched under the Network Control Service Contract, determined as the product of the values specified in clauses 5.9.3(b) and 5.9.3(c).

6.17.6. The Dispatch Instruction Payment, $DIP(p,d,t)$, for Market Participant p and Trading Interval t of Trading Day d equals the sum of:

- (a) zero, if Market Participant p :
- ...
- (d) the sum over all Curtailable Loads registered by the Market Participant of the amount that is the product of:
 - i. the quantity by which the Curtailable Load was instructed by System Management to reduce its consumption, excluding any instructions given under a Network Control Service Contract; and
 - ii. the price defined in clause 6.11A.1(d)(ii) that was current at the time of the Trading Interval for the Curtailable Load (accounting for whether the Trading Interval is a Peak Trading Interval or an Off-Peak Trading Interval); and
- (e) if the participant is given an instruction under a Network Control Service Contract then the sum over all Network Control Service Contract f Facilities registered by the Market Participant of the amount that is the product of:
 - i. the quantity by which the f Facility was instructed by System Management to increase its output as specified by System Management in accordance with clause 7.13.1(dB) (where for the purpose of this calculation a Loss Factor adjustment is to be applied to the quantity specified by System Management so that the result is measured at the Reference Node) or reduce its consumption as specified by System Management in accordance with clause 7.13.1(dB); and
 - ii. the price defined as: ~~as applicable under the relevant Network Control Service Contract for the facility as specified in clause 5.9.1(b).~~
 - 1. MCAP for Trading Interval t , if the Facility was instructed to increase its output; or
 - 2. zero, if the Facility was instructed to reduce its consumption.

7.1.1. System Management must maintain the following data set, and must use this data set when determining which Dispatch Instructions it will give:

...

- (m) Network Control Service Contract data, if any, received from ~~the IMO~~ a Network Operator in accordance with clauses ~~5.7.4~~ 5.3A.3 and 5.3A.4.

7.6.1A Notwithstanding clauses 7.6.2 and 7.6.3, System Management must give priority to the dispatch of a Registered Facility under a Network Control Service Contract over the dispatch of a Registered Facility under any other arrangement, if the Network Control Service provided under that contract would assist System Management to meet the criteria in clause 7.6.1.

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

- (a) in accordance with any Ancillary Service Contract;
- (b) in accordance with any Balancing Support Contract;
- (c) in accordance with the details of any Network Control Service Contract, as advised to System Management by a Network Operator in accordance with clause 5.3A.3 or updated by a Network Operator in accordance with clause 5.2A.4;
- (d) in connection with any test of equipment allowed under these Market Rules; or
- (e) under clause 7.6.3 or clause 7.6.4.

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

...

- (dB) The MWh quantity by which the Facility was instructed by System Management to increase its output or reduce its consumption energy dispatched under a Network Control Service Contract for each Trading Interval in the Trading Day by Facility;

...

~~9.12. Network Control Service Calculations for a Trading Month [Blank]~~

~~9.12.1. The Market Participant Network Control Service settlement amount for Market Participant p for Trading Month m is:~~

~~$$MPNCSA(p,m) = \text{Sum}(f \in F, n \in N, \text{Network Control Service Contract Payment}(p,m,f,n))$$~~

~~Where~~

~~Network Control Service Contract Payment (p,m,f,n) is the net payment to be made by the IMO under a Network Control Service Contract to Market Participant p, for Trading Month m for Registered Facility f as~~

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~~specified by the IMO under clause 5.9.1 which relates to Network Operator n;~~

~~F is the set of all Market Participant p's Registered Facilities, where "f" refers to a member of that set; and~~

~~N is the set of all Network Operators, where "n" refers to a member of that set. [Blank]~~

9.12.2. ~~The Network Operator Network Control Service settlement amount for Network Operator n for Trading Month m is:~~

$$\text{NONCSA}(n,m) = \text{Sum}(p \in P, f \in F, \text{Network Control Service Contract Payment}(p,m,f,n))$$

Where

~~Network Control Service Contract Payment(p,m,f,n) is the net payment to be made by the IMO under a Network Control Service Contract to Market Participant p, for Trading Month m for Registered Facility f which relates to Network Operator n as specified by the IMO under clause 5.9.1;~~

~~P is the set of all Market Participants, where "p" refers to a member of that set; and~~

~~F is the set of all Market Participant p's Registered Facilities, where "f" refers to a member of that set. [Blank]~~

9.14.1. The Net Monthly Non-STEM Settlement amount for the IMO to Market Participant p for Trading Month m is:

$$\text{NMNSSA}(p,m) = \text{RCSA}(p,m) + \text{Sum}(d, \text{BSA}(p,d,t)) + \text{ASSA}(p,m) + \text{COCSA}(p,m) + \text{RSA}(p,m) + \text{MPNCSA}(p,m) + \text{MPFSA}(p,m)$$

9.14.2. ~~The Net Monthly Network Operator Settlement Amount for the IMO to Network Operator n for Trading Month m~~

$$\text{NMNOSA}(n,m) = (-1) \times \text{NONCSA}(n,m)$$

~~Where NONSCA is defined in clause 9.12.2. [Blank]~~

9.18.3. A Non-STEM Settlement Statement must contain the following information:

...

(c) for each Trading Interval of each Trading Day:

...

ix. details of amounts calculated for the Market Participant under clauses 9.7 to 9.14 with respect to:

1. Reserve Capacity settlement;
2. Balancing settlement;
3. Ancillary Services settlement

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4. Commitment and outage compensation settlement
- 4A. Non-Compliance Cost settlement;
5. Reconciliation settlement;
6. ~~Network Control Service settlement;~~[Blank]
7. Fee settlement; and
8. Net Monthly Non-STEM Settlement Amount;

...

9.24.3A The IMO must apply the Total Amount as follows.

- (a) First, the IMO must apply the Total Amount to satisfy:
 - i. payment of Service Fee Settlement Amounts to the IMO, System Management and the Economic Regulation Authority (including as contemplated by clause 9.22.10);
 - ii. payments which the IMO is required to make under Supplementary Capacity Contracts or to a provider of Ancillary Services holding an Ancillary Service Contract with System Management, up to a maximum for any party of the net amount which, if sufficient funds were available, would be payable to that party; and
 - iii. ~~payments which the IMO is required to make under Network Control Service Contracts, up to a maximum for any party of the net amount which, if sufficient funds were available, would be payable to that party; and~~[Blank]
 - iv. funds required to be disgorged or repaid by the IMO as contemplated by clause 9.24.2;

but if the Total Amount is not sufficient to satisfy all of these payments then the IMO must reduce the payments proportionally. Each payment will be based on the proportion that the Total Amount bears to the amount that would have been required to make all payments.

...

10.5.1. The IMO must set the class of confidentiality status for the following information under clause 10.2.1, as Public and the IMO must make each item of information available from the Market Web-Site after that item of information becomes available to the IMO:

...

- (vC) reports providing the MWh quantities of energy dispatched under Balancing Support Contracts by Facility and Trading Interval, as specified by System Management in accordance with clause 7.13.1(dA), for each Trading Month which has been settled;
- (vD) reports providing the MWh quantities of energy dispatched under Network Control Service Contracts by Facility and Trading Interval, as

specified by System Management in accordance with clause 7.13.1(dB), for each Trading Month which has been settled;

...

Credit Limit: In respect of a Market Participant, the amount determined by the IMO in accordance with clause 2.37.4. ~~In respect of a Network Operator, the amount determined by the IMO in accordance with clause 2.37.6.~~

Monthly Availability Payment: ~~The maximum monthly payment by a Network Operator to a Market Participant providing capacity under a Network Control Service Contract.~~

Network Control Service Certification: ~~Has the meaning given in clause 5.3.2.~~

Network Control Service Contract: A contract between ~~the IMO~~ a Network Operator and a Market Participant, entered into pursuant to chapter 5, to provide a Network Control Service.

Prudential Obligations: In respect of a Market Participant ~~or Network Operator~~, the obligations set out in clauses 2.37 to 2.43.

Appendix 1: Standing Data

This Appendix describes the Standing Data to be maintained by the IMO for use by the IMO in market processes and by System Management in dispatch processes.

Standing Data required to be provided as a pre-condition for Facility Registration, and which is to be updated by Rule Participants as necessary, is described by clauses (a) to (j).

Standing Data not required to be provided as a pre-condition for Facility Registration but that which is required to be maintained by the IMO includes the data described in clauses (k) onwards.

...

(k) For each Registered Facility:

...

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~~limits on the availability of a facility;~~
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)~~the Monthly Availability Payment for the facility;~~ and
3. whether the Facility is subject to a Network Control Service Contract that requires the Facility not to part of an aggregated Facility~~the identity of the Network~~

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~~Operator required to fund the Monthly Availability
Payment; and~~

- iii. the Facility Dispatch Tolerance;

APPENDIX 1: FULL DETAILS OF THE PROPOSAL

Background

A Network Control Service (NCS) is a service provided by generation or Demand Side Management (DSM) that can be a substitute for transmission or distribution network upgrades. An NCS is provided under a Network Control Service Contract (NCSC).

Chapter 5 of the Market Rules currently outlines the process for NCS procurement and how this service would be operated within the context of the Wholesale Electricity Market (WEM). The chapter includes the IMO tendering for NCS, contracting for NCS, how the service would be paid for and related compliance and settlement issues.

An NCSC allows System Management to issue real time dispatch instructions to a Facility as required to maintain system security and reliability. This is within the availability limits of the contract. For its part, the Facility providing an NCS gets guaranteed minimum revenue and is not precluded from operating in the energy market.

The IMO noted in its proposal that the current Market Rules require that a Market Participant contracted to provide an NCS must seek certification for Reserve Capacity for the relevant Facility. To the extent that such a Facility is certified, it will be issued Capacity Credits and settled at the prevailing Reserve Capacity price. The NCS payment for a Facility will be reduced by the value of Capacity Credits held by the Facility. There is currently also no restriction on an NCS facility trading its Capacity Credits bilaterally. To the extent this happens, its payment under the Reserve Capacity Mechanism will be reduced.

The energy price that is associated with a Facility providing NCS would be used as the pay-as-bid price in balancing whenever the service is called upon. Apart from the energy payment, which is settled in balancing, the IMO recovers the cost of the payments made under the NCS contract from the relevant Network Operator.

Late in 2009, the policy reasons for the original procurement framework were examined in greater detail. As such, the Office of Energy presented an issues paper at the April 2010 Market Advisory Committee (MAC) meeting³, which recommended that the IMO give consideration to removing the requirement on the IMO to conduct the expression of interest (EOI) and tender processes. The MAC endorsed this concept.

Issue: IMO undertaking tender process

The Office of Energy issues paper noted that chapter 5 is triggered by the Network Operator requesting that the IMO undertake an EOI process for an NCS under a requirement within the Access Code. No such requirement exists in the Access Code, so it is considered that Chapter 5 could never be formally triggered under the requirements of the Access Code.

The Office of Energy stated that it would appear that the original policy intent, in having the IMO undertake an NCS process and then outlining how the costs are to be allocated, reflected the vertically integrated nature of Western Power at the time of drafting. Since then, Western Power has been disaggregated, with the networks business being separated from generation and retail businesses and regulated under the Access Code.

The Office of Energy issues paper suggested that the need for an NCS instead of a more expensive network enhancement solution would be considered under the Regulatory Test requirements of Chapter 9 of the Access Code. The Regulatory Test

³ www.imowa.com.au/Special_Meeting_No2

only applies to major enhancements, which are defined as exceeding the threshold capital costs of \$15 million for distribution and \$30 million for transmission projects.

Therefore, the Office of Energy considered that in evaluating any NCS proposal, it would need to be compared to network alternatives within a Regulatory Test environment. Also, the Network Operator would want certainty from the ERA that any NCS costs that it bears can be passed on to network users or potential users.

From the above, the Office of Energy recommended that an NCS, as an option to network augmentation, is more efficiently and effectively addressed by Western Power under the Access Code, with regulatory oversight by the ERA.

Proposal:

The IMO proposed to remove the NCS EOI, tender and contracting processes from Chapter 5 of the Market Rules. This will allow a Network Operator to undertake these processes under the regulatory oversight of the ERA, in accordance with the provisions of the Access Code.

Issue: Potential cross subsidies from NCS energy payments

The IMO noted that under the current Market Rules, if System Management instructs a Market Participant to increase output or reduce consumption under an NCSC then the Market Participant is paid its contracted price for the energy dispatched. This can result in a cross subsidy from Market Participants to the SWIS users benefitting from the NCS. The developers of the Market Rules were probably aware of the cross subsidy, but may have considered it to be acceptable as there was an assumption that the quantity of energy dispatched under NCSCs would be low.

However, recent investigations into network constraints in the Eastern Goldfields have raised the possibility of large quantities of energy being dispatched under an NCSC. The IMO considered that this could potentially lead to cross subsidies in the order of millions of dollars per year.

If a generation Facility is dispatched by System Management under an NCSC, then (all else being equal) one or more Facilities providing balancing services will reduce output accordingly. The dispatch should have no impact on any other Market Participants. As a result, the energy payment made to the NCS provider will be offset by payments made by balancers. Under the current balancing regime the balancer is usually Verve Energy and so the payments are priced at MCAP.

The situation is slightly different for an NSC provided by a DSM option, where an instruction from System Management to reduce consumption actually reduces the net quantity of energy generated. Assuming no other variations, one or more Facilities providing balancing services would be expected to reduce output to compensate for the reduction in consumption. However, in theory the dispatch would also leave one or more Market Customers with an excess of energy over their Net Contract Positions, which would be sold into the market at MCAP. Assuming an MCAP balancing price, any payments made by the balancing generator(s) would be counteracted by payments made to Market Customers, leaving no amount to offset the energy payment made to the NCS provider.

The IMO contended that in order to prevent a cross subsidy, the market should pay an NCS provider no more than the market balancing price for the energy generated in response to an NCS dispatch.

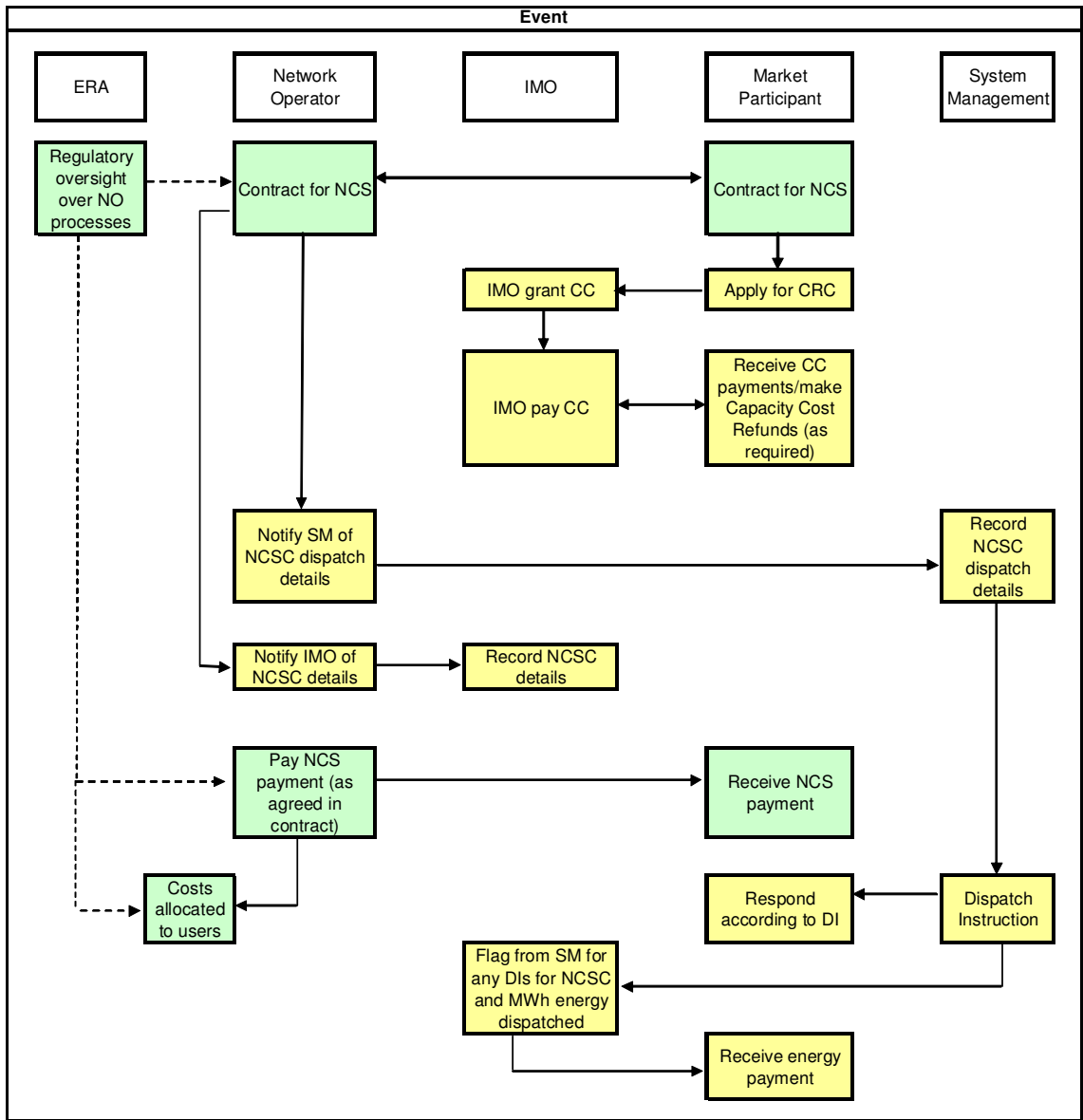
Proposal:

The IMO proposed to amend the Market Rules to change the energy price paid by the market to NCS providers to:

- for NCS provided through generation, MCAP; and
- for NCS provided through DSM, zero.

Overview of proposed process

The IMO considered that the proposed amendments will facilitate the operation of the NCS process within the broader market processes. This process (at a high level) is outlined in the diagram below, with the Market processes indicated in yellow and the off-market processes are indicated in green.



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The IMO noted that in order to achieve this, a number of areas of the Market Rules need to be amended. An explanation of the proposed amendments follows:

| Clause/ Section | Explanation of proposed amendments |
|--------------------------|---|
| 2.1.2 (e) | Amend IMO role to remove the NCS EOI, Tender and Contract obligations. |
| 2.8.13 | Remove the reference to clauses 5.2.3, 5.2.7 and 5.5.1 from the list of protected provisions as these are being removed from chapter 5 (see below). |
| 2.17.1 | Remove the reference to clauses 2.37.6, 2.37.7, 5.2.6, 5.2.7 and 5.3.6 from the list of Reviewable Decisions as these decisions are being removed (see below). The IMO will also request that the Office of Energy consider removing these from the Electricity (Wholesale Electricity Market) Regulations. |
| 2.22.1 | Delete the reference to chapter 5 in this list of services provided by the IMO for the purposes of the IMO's budget. |
| 2.37 – 2.38 | Remove the references to Network Operator in the Credit Limit and Credit Support arrangements as the NCS payment will be a contractual off-market payment. The IMO will also amend the Market Procedure for determining Credit Limits to remove the reference to NCS and Network Operators. |
| 5.1 | Amend NCS and NCS contract definitions. Remove clauses 5.1.3 and 5.1.4 as these are related to the procurement process. |
| 5.2, 5.3, 5.4, 5.5 & 5.6 | Remove these sections in their entirety. The IMO will also need to repeal the Market Procedure for the Procurement of Network Control Services. |
| New 5.2A | Add a new section: Registration and Certification. This is to ensure that a Market Participant entering into an NCS contract is registered and applies for Certified Reserve Capacity for the relevant facilities. These clauses are similar in their drafting to the current clauses 5.4.12 and 5.4.13. |
| New 5.3A | Add a new section: Information required from the Network Operator. This is to ensure that the Network Operator provides: <ul style="list-style-type: none"> • the IMO with the information it requires to settle the energy payments; and • System Management with the information required to enable System Management to dispatch the services. |
| 5.7 | <ul style="list-style-type: none"> • Delete clause 5.7.1 as this is covered by the new clause 5.3A.2. • Amend clause 5.7.2 to refer to the information that the Network Operator provides to System Management for Dispatch. • No change to clause 5.7.4. |
| 5.8 | Delete entire clause as this will now be an off-market contractual payment between the Network Operator and the NCS Provider. Also the IMO will not be undertaking the procurement process therefore will not need to invoice for its costs associated with this. |
| 5.9.1 | Amend clause 5.9.1 to remove the reference to the monthly NCS payment and prices for NCS energy payments. |
| New 5.9.2 and 5.9.3 | Add new clauses requiring the IMO to provide the relevant Network Operator with information about a dispatch under an NCSC. |
| 6.17.6(d) | Updated to explicitly exclude instructions made under an NCS contract to a Curtailable Load (as these are covered in clause 6.17.6(e)). |
| 6.17.6(e) | Amend the energy price for NCS dispatches to MCAP for generation contracts and zero for DSM contracts. Note that no changes are anticipated to clauses 6.15.1, 6.17.2 and 6.18.3. |

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| Clause/ Section | Explanation of proposed amendments |
|------------------------------|--|
| 7.1.1 | Updated to refer to the NCS contract data received from the Network Operator (rather than the IMO) and update the clause reference. |
| 7.6.6 | Updated to refer to the NCS contract data received from the Network Operator. |
| 9.12 | Remove these clauses as this payment is now an off-market contractual payment. |
| 9.14.1 | Remove the reference to Market Participant Network Control Service settlement amount (MPNCSA) as this input (from clause 9.12.1) is no longer required. |
| 9.14.2 | Remove this clause as the calculation is no longer required. |
| 9.18.3 | Remove the reference to NCS settlement in the non-STEM settlement statement as this has been removed by deleting clause 9.12. This payment is now an off-market contractual payment. |
| 9.24.3 | Remove the reference to “payments which the IMO is required to make under Network Control Services” from the list of priority payments for settlement in default situations. |
| 10.5.1(vD) | Add a new clause requiring the IMO to publish reports providing the MWh quantities of energy dispatched under NCSCs by Facility and Trading Interval, similar to those required for Balancing Support Contracts under clause 10.5.1(vC). |
| Glossary | <ul style="list-style-type: none"> • Credit Limit: Remove the sentence relating to Network Operators. • Monthly Availability Payment: Remove this definition as this payment is now an off-market contractual payment between a Network Operator and a Market Participant contracted to provide an NCS. • Network Control Service: No change to this definition. • Network Control Service Certification: Remove this definition as the NCS certification no longer applies. This was certification for the tender process. • Network Control Service Contract: Amend to refer to a Network Operator and not the IMO. Also remove the reference to a contract entered into pursuant to chapter 5. • Prudential Obligations: Remove the reference to Network Operators. |
| Appendix 1: Standing data | Delete the references to the limits on the availability of a facility for NCS, the Monthly Availability Payment and the identity of the Network Operator required to fund the Monthly Availability payment. |

The IMO noted that in addition to the rule changes identified a number of Market Procedures may need amendment. These are:

- Procurement of NCS;
- Prudential Requirements;
- Dispatch;
- Operational Data Points for Generating Plant;
- Operational Data Points for Non Western Power Networks, Substations, and Loads;
- Certification of Reserve Capacity;
- Declaration of Bilateral Trades and Reserve Capacity Auction;
- Facility Registration, de-Registration and Transfer;
- Reserve Capacity Testing; and
- Settlement.

APPENDIX 2: PROPOSED AMENDING RULES IN THE RULE CHANGE PROPOSAL

The IMO proposed the following amendments to the Market Rules in its Rule Change Proposal (~~deleted text~~, added text):

2.1.2. The functions of the IMO are:

...

- (e) ~~to administer tender processes for Network Control Services where required by these Market Rules and to enter into Network Control Service Contracts;~~ [Blank]

...

2.8.13. The following clauses are Protected Provisions:

- (a) clauses 1.1 to 1.3 and 1.5 to 1.9 ;
- (b) clauses 2.1 to 2.24, 2.28, 2.31.1, 2.31.3, 2.31.5(a), 2.31.6, 2.34.1 and 2.36.1;
- (c) clauses 3.15, 3.18.18 and 3.18.19;
- (d) clauses 4.1.4 to 4.1.12, 4.1.15 to 4.1.19, 4.1.21, 4.1.22, 4.1.24, 4.1.27, 4.5.10, 4.5.11, 4.5.15 to 4.5.20, 4.13.10, 4.13.10A, 4.13.11, 4.13.11A, 4.13.11B, 4.16, 4.24.1, 4.24.2 and 4.24.12;
- (e) ~~clauses 5.2.3, 5.2.7 and 5.5.1;~~ [Blank]
- (f) clauses 9.16.3, 9.16.4 and 9.20.2; and
- (g) clauses 10.1.1, 10.1.2, 10.2.1, 10.3 and 10.4.

2.17.1. Decisions by the IMO made under the following clauses are Reviewable Decisions:

...

- (h) clauses 2.37.1 to 2.37.3;
- ~~(i) clause 2.37.6 and 2.37.7;~~ [Blank]
- (j) clause 4.9.9;
- (k) clause 4.15.1;
- (l) clause 4.27.7;
- (m) clause 4.28.7; and
- (n) ~~clauses 5.2.6 and 5.2.7;~~ [Blank]
- (o) ~~clause 5.3.6; and~~ [Blank]
- (p) clause 10.2.1.

2.22.1. For the purposes of this clause 2.22, the services provided by the IMO are:

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- (a) market operation services, including the IMO's operation of the Reserve Capacity market, STEM and Balancing and the IMO's settlement and information release functions;
 - (b) system planning services, including the IMO's performance of the Long Term PASA function ~~and functions under Chapter 5~~; and
 - (c) market administration services, including the IMO's performance of the Market Rule change process, Market Procedure change process, the operation of the Market Advisory Committee and other consultation, monitoring, enforcement, audit, registration related functions and other functions under these Market Rules.
- 2.37.6. ~~The IMO must determine a Credit Limit for each Network Operator that is required under these Market Rules to fund a Network Control Service Contract, where this Credit Limit is the dollar amount determined by the IMO as being equal to maximum possible amount payable over a 70 day period under the Network Control Service Contracts relating to the Network Operator.~~
[Blank]
- 2.37.7. ~~The IMO must review the Network Operator's Credit Limit when a Network Control Services Contract relating to the Network Operator commences or terminates.~~ [Blank]
- 2.37.8. The IMO must notify each Market Participant, ~~and each Network Operator required to fund a Network Control Service Contract~~, of their Credit Limit, and provide details of the basis for the determination of the Credit Limit.
- 2.38.1. ~~Where at any time a Market Participant, or Network Operator that is required to fund a Network Control Service Contract~~, does not meet the Acceptable Credit Criteria set out in clause 2.38.6, then the Market Participant, ~~or Network Operator required to fund a Network Control Service Contract~~, must ensure that the IMO holds the benefit of Credit Support in an amount not less than its Credit Limit.
- 2.38.2. ~~Where a Market Participant's or a Network Operator's existing Credit Support is due to expire or terminate~~, then that Market Participant ~~or Network Operator~~ must, at least 10 Business Days before the time when the existing Credit Support will expire or terminate, ensure that the IMO holds the benefit of a replacement Credit Support in an amount not less than the level required under clause 2.38.1 that will become effective at the expiry of the existing Credit Support.
- 2.38.3. ~~Where a Market Participant's or a Network Operator's Credit Limit is increased~~, or where the existing Credit Support is no longer current or valid (for example, because the credit support provider ceases to meet the Acceptable Credit Criteria) or where some or all of the Credit Support has been drawn on by the IMO in accordance with these Market Rules, then that Market Participant ~~or Network Operator~~ must ensure that the IMO holds the benefit of a replacement Credit Support in an amount not less than the level required under clause 2.38.1 within one Business Day.

- 2.38.4. The Credit Support for a Market Participant ~~or Network Operator~~ must be:
- (a) an obligation in writing that:
 - i. is from a credit support provider, who must be an entity which meets the Acceptable Credit Criteria and which itself is not a Market Participant;
 - ii. is a guarantee or bank undertaking in a form prescribed by the IMO;
 - iii. is duly executed by the credit support provider and delivered unconditionally to the IMO;
 - iv. constitutes valid and binding unsubordinated obligations to the credit support provider to pay to the IMO amounts in accordance with its terms which relate to obligations of the relevant Market Participant ~~or Network Operator~~ under the Market Rules; and
 - v. permits drawings or claims by the IMO to a stated amount; or
 - (b) a cash deposit ("**Security Deposit**") made with the IMO by or on behalf of the Market Participant ~~or Network Operator~~.
- 2.38.5. Where Credit Support is provided as a Security Deposit in accordance with clause 2.38.4(b), it will accrue interest daily at the Bank Bill Rate, and the IMO must pay the Market Participant ~~or Network Operator~~ the interest accumulated at the end of each calendar month less any liabilities and expenses incurred by the IMO, including bank fees and charges.

5 Network Control Services Procurement

Network Control Service ~~Tender Process and Timelines~~

5.1. ~~Definitions and Obligations~~

- 5.1.1. A Network Control Service is ~~any service specified according to clause 5.2.1 a service provided by distributed generation or demand side management that can be a substitute for transmission or distribution network upgrades.~~
- 5.1.2. A Network Control Service Contract is a contract between ~~the IMO a Network Operator~~ and a Market Participant for the Market Participant to provide a Network Control Service.
- 5.1.3. ~~The IMO must not enter into a Network Control Service Contract except:~~
- (a) ~~following a tender process under clause 5.4; or~~
 - (b) ~~in the case of a Network Control Service Contract to apply from Energy Market Commencement, with the approval of the Minister. [Blank]~~
- 5.1.4. ~~The IMO must seek to carry out the expression of interest, certification and tender processes in this Chapter 5 in a way that minimises its costs of doing so. [Blank]~~

5.2. Network Control Service Procurement Requirements [Blank]

- 5.2.1. ~~Where required by the Access Code to submit a major augmentation, as defined in the Access Code, to the tender process set out in the Market Rules, a Network Operator must notify the IMO of the opportunity for network support generation or Demand Side Management to compete with a transmission or distribution upgrade. The notification must include:~~
- ~~(a) — a specification of the services that would be required from the facility, including:
 - ~~i. — the maximum active and reactive power quantities required, specified in MW and MVar;~~
 - ~~ii. — the estimated number of hours per year that the services would be required; and~~
 - ~~iii. — the required period of notice to call upon the services;~~~~
 - ~~(b) — the location at which the facility would need to connect to the relevant network;~~
 - ~~(c) — the Network Operator's estimate of the costs involved in connecting a generation facility that could provide the services specified in paragraph (a) from the location specified in paragraph (b);~~
 - ~~(d) — the date by which the facility is required to be in service;~~
 - ~~(g) — the Network Operator's estimate of the cost of an augmentation to the Network that would provide the services; and~~
 - ~~(h) — the minimum period over which the services would be required, from the date specified in paragraph (d). [Blank]~~
- 5.2.2. ~~The minimum period over which the Network Control Service is required is the period specified under clause 5.2.1(f). The IMO may at any time extend the length of the contracted period. [Blank]~~
- 5.2.3. ~~The IMO must call for expressions of interest from potential service providers to identify whether any other person could provide the required Network Control Service. [Blank]~~
- 5.2.4. ~~A person (“**potential service provider**”) may submit a written expression of interest to the IMO indicating that the potential service provider considers that it would be able to provide the Network Control Service. The expression of interest must contain:~~
- ~~(a) — the approximate quantity of the Network Control Service that the potential service provider would be able to supply;~~
 - ~~(b) — whether the Network Control Service will be provided by a generation facility or Demand Side Management option;~~
 - ~~(c) — indicative arrangements for activating the Network Control Service;~~
 - ~~(d) — the approximate cost of the Network Control Service; and~~

- ~~(e) — other material terms and conditions which the potential service provider proposes would apply to the provision of the Network Control Service. [Blank]~~
- 5.2.5. ~~An expression of interest is not binding on the potential service provider. A person is not required to have submitted an expression of interest to submit a tender response for any Network Control Service tender under clause 5.4. [Blank]~~
- 5.2.6. ~~Where, after considering the responses to the expression of interest, the IMO identifies that no person could provide the required Network Control Service for a cost that is less than 50% above the Network Operator's estimate referred to in clause 5.2.1(e), then the IMO must:~~
- ~~(a) — notify that Network Operator that there are no other alternative providers; and~~
- ~~(b) — notify each person that submitted an expression of interest that no tender will be held. [Blank]~~
- 5.2.7. ~~Where the IMO identifies that a person other than the Network Operator described in clause 5.2.1 could provide the required Network Control Service, for a cost that is less than 50% above the Network Operator's estimate referred to in clause 5.2.1(e), then the IMO must:~~
- ~~(a) — make the announcement in clause 5.4.1 within 10 Business Days of the closing date for expressions of interest; and~~
- ~~(b) — carry out the tender process described in clause 5.4. [Blank]~~

5.2A Registration and Certification

- 5.2A.1. Where a Market Participant enters into a Network Control Service Contract for a Facility, the Market Participant must ensure that the Facility is registered as a Registered Facility during the period for which Network Control Services are to be provided under the Network Control Service Contract.
- 5.2A.2 Where a Market Participant enters into a Network Control Service Contract for a Facility then the Market Participant must apply to the IMO for Certified Reserve Capacity in respect of the Facility, in respect of each Reserve Capacity Cycle that the Facility would be eligible to participate in over the period for which Network Control Services will be provided under the relevant Network Control Service Contract.

5.3. Network Control Service Certification [Blank]

- ~~5.3.1. A person must be registered as a Market Participant before applying for a Facility to be certified under clause 5.3.2. [Blank]~~
- ~~5.3.2. A Market Participant wishing to submit a Network Control Service tender under clause 5.4 must apply to the IMO for certification that the IMO considers that the Facility can provide the relevant Network Control Service and of the~~

level of that service that the IMO considers the Facility can reliably provide (~~“Network Control Service Certification”~~). [Blank]

- 5.3.3. The Network Operator referred to in clause 5.2.1 does not need to apply to the IMO for certification. [Blank]
- 5.3.4. A Market Participant may apply for Network Control Service Certification in respect of a Facility that is not a Registered Facility. [Blank]
- 5.3.5. The Market Participant applying for Network Control Service Certification must provide to the IMO the information specified for this purpose in the Network Control Service Procedure. [Blank]
- 5.3.6. The IMO may certify a Facility for a level of Network Control Service. The IMO must only certify a Facility for a level that the IMO is satisfied that the Facility can reliably provide. [Blank]
- 5.3.7. A Network Control Service Certification must contain:
- (a) the Network Control Service tender for which the Network Control Service Certification was issued;
 - (b) the Facility to which the Network Control Service Certification pertains;
 - (c) the quantity of Network Control Service that may be reliably provided by the Facility, including any additional conditions or performance information; and
 - (d) the notice period for calling upon the Network Control Service. [Blank]
- 5.3.8. Network Control Service Certifications expire after the IMO announces the results of the Network Control Service tender to which they relate. [Blank]
- 5.3.9. The IMO must document the procedure it follows in processing applications for Network Control Service Certification in the Network Control Service Procedure, and the IMO, Market Participants and Network Operators must follow that documented Market Procedure when processing Network Control Service Certification applications. [Blank]

5.3A Information required from the Network Operator

- 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:
- (a) the identity of the Market Participant;
 - (b) the identity of the Facility providing the service;
 - (c) a unique identifier for the Network Control Service Contract;
 - (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.

5.3A.2 When any change occurs to the details of a Network Control Service Contract listed in clause 5.3A.1 the Network Operator must inform the IMO as soon as practicable.

5.3A.3. When a Network Operator has entered into a Network Control Service Contract with a Market Participant, the Network Operator must provide System Management with the details of the Network Control Services Contract to enable System Management to dispatch the services provided under it.

5.3A.4 When any change occurs to the details of a Network Control Service Contract provided to System Management under clause 5.3A.3 the Network Operator must inform System Management as soon as practicable.

5.4. Network Control Service tenders [Blank]

~~5.4.1. Where it is required to carry out a tender process for Network Control Service, the IMO must publish details of the tender process and timelines, including:~~

~~(a) the date by which Network Control Service Certification must be obtained for a tender to be submitted;~~

~~(b) the date on which the invitation to tender will be published;~~

~~(c) the last date on which the tenders may be submitted; and~~

~~(d) the date on which the IMO will announce the results of the tender process. [Blank]~~

~~5.4.2. By the date specified in clause 5.4.1(a), Market Participants wishing to submit a tender must have secured Network Control Service Certification for the relevant Facility in accordance with clause 5.3. [Blank]~~

~~5.4.3. By the date specified in clause 5.4.1(b), the IMO must issue an invitation to tender for the acquisition of the relevant Network Control Service. [Blank]~~

~~5.4.4. An invitation to tender for the acquisition of a Network Control Service must contain:~~

~~(a) the quantity of the Network Control Service to be acquired under the invitation to tender including location and timing of the requirements, and any other limitations on the provision of the service, including minimum acceptable quantities;~~

~~(b) the period over which the service is to be provided, determined in accordance with clause 5.2.2, including details of any extension options;~~

~~(c) terms and conditions of the tender, including proposed terms and conditions for the Network Control Service Contracts to be entered into as a result of the tender process;~~

~~(d) the required format and content of tender responses, including:~~

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- ~~i. the name and contact details of the tenderer;~~
 - ~~ii. the Facility which will provide the Network Control Service;~~
 - ~~iii. the quantity of the Network Control Service available from the Facility and any limitations on the time periods for which the Network Control Service will be available, including where applicable:
 - ~~1. times of the day, of the week, or of the year for which the Facility will not be available to provide the Network Control Service, or will only be able to provide the service in reduced quantity or subject to other restrictions;~~
 - ~~2. a maximum number of times which the Facility may be called upon to provide the Network Control Service in a time period;~~
 - ~~3. the maximum duration of each occasion when the Facility may be called upon to provide the Network Control Service; and~~
 - ~~4. a maximum cumulative duration for which the Facility may be called upon to provide the Network Control Service in a time period;~~~~
 - ~~iv. availability of the Facility, including arrangements when Planned Outages are scheduled;~~
 - ~~v. the notice period for calling on the Facility to provide the Network Control Service;~~
 - ~~vi. whether the IMO must accept the entire quantity offered, or whether it can accept a part of the quantity offered;~~
 - ~~vii. an offered Monthly Availability Payment amount in dollars; and~~
 - ~~viii. an offered per MWh price to apply when the Facility is called upon to provide the Network Control Service; and~~
 - ~~(e) process details for submitting tenders. [Blank]~~
- 5.4.5. A Market Participant or the Network Operator referred to in clause 5.2.1 may respond to the invitation to tender by submitting written tenders in the form, and by the date, specified in the invitation to tender. A Market Participant or the Network Operator referred to in clause 5.2.1 may offer for all or part of the Network Control Service requirements. [Blank]
- 5.4.6. A Market Participant submitting a tender in response to an invitation to tender must not offer more capacity than is indicated by the relevant Network Control Service Certification. [Blank]
- 5.4.7. A Market Participant submitting a tender in response to an invitation to tender must not offer a per MWh price to apply when the Facility is called upon to

~~provide the Network Control Service that is greater than the Alternative Maximum STEM Price. [Blank]~~

- 5.4.8. ~~In determining the result of a tender process, and entering into Network Control Service Contracts, the IMO must seek to achieve the lowest total cost of the tenders selected, evaluating each tender on the basis of:~~
- ~~(a) the offered Monthly Availability Payment amount contained in the tender;~~
 - ~~(b) plus an amount equal to:~~
 - ~~i. the offered per MWh price to apply when the Facility is called upon to provide the Network Control Service contained in the tender;~~
 - ~~ii. multiplied by the estimated number of hours per year that the services would be required specified in accordance with clause 5.2.1(a)(ii) divided by 12. [Blank]~~
- 5.4.9. ~~The IMO is not under any obligation to accept any tender, or enter into a Network Control Service Contract in respect of any tender, made in response to an invitation to tender under this clause 5.4. However, where the IMO accepts a tender, it must accept it in relation to the entire quantity offered unless the relevant Market Participant or Network Operator indicated that the IMO may accept a part of the quantity offered. [Blank]~~
- 5.4.10. ~~The IMO must notify each Market Participant and Network Operator that submitted a tender as to whether it has been successful by the date specified in accordance with clause 5.4.1(d). [Blank]~~
- 5.4.11. ~~Where a selected tender response is not from the Network Operator referred to in clause 5.2.1, then the IMO and the selected Market Participant must execute a Network Control Service Contract. [Blank]~~
- 5.4.12. ~~Where a selected tender response is not from the Network Operator referred to in clause 5.2.1, then the selected Market Participant must apply to the IMO for Certified Reserve Capacity in respect of each of the Facilities set out in the selected tender response, in respect of each Reserve Capacity Cycle that each Facility would be eligible to participate in over the period for which Network Control Services will be provided under the relevant Network Control Service Contract. [Blank]~~
- 5.4.13. ~~Where a Market Participant executes a Network Control Service Contract pertaining to a Facility, the Market Participant must ensure that the Facility is registered as a Registered Facility during the period for which Network Control Services are to be provided under the Network Control Service Contract. [Blank]~~
- 5.4.14. ~~The IMO must document the procedure it follows in carrying out Network Control Service tender processes in the Network Control Service Procedure, and:~~

- (a) ~~the IMO must follow that documented Market Procedure when carrying out tender processes under this clause 5.4; and~~
- (b) ~~Market Participants and Network Operators must follow that documented Market Procedure when participating in a tender process under this clause 5.4. [Blank]~~

~~Network Control Service Contracts~~[Blank]

5.5. ~~Contract Conditions~~[Blank]

- 5.5.1. ~~Prior to the first tender process under clause 5.4, the IMO must develop a standard form Network Control Service Contract which accords with the requirements of this clause 5.5. [Blank]~~
- 5.5.2. ~~The IMO must consult with System Management when developing or amending the standard contractual terms. [Blank]~~
- 5.5.3. ~~A standard form Network Control Service Contract must contain the following:~~
 - (a) ~~the Network Control Service being provided;~~
 - (b) ~~the duration of the contract, in accordance with clause 5.2.2, and specifying any extension options;~~
 - (c) ~~the procedures for the IMO, via System Management, to call on the Facility to provide the service, including:~~
 - i. ~~operational arrangements under which the IMO will allow System Management to call on the relevant Facility to provide the service;~~
 - ii. ~~the quantities of the service that will be provided, including where applicable, any limitations on the time periods for which the relevant Facility can be called on to provide the service, including:~~
 - 1. ~~times of the day, or of the week, or of the year at which the relevant Facility cannot be called on to provide the service, or can only be called on to provide the service in reduced quantity or with other restrictions;~~
 - 2. ~~a maximum number of times which the relevant Facility can be called on to provide the service, in a week, or in a year, as applicable;~~
 - 3. ~~the maximum duration of each occasion when the relevant Facility can be called on to provide the service; and~~
 - 4. ~~a maximum cumulative duration for which the relevant Facility can be called on to provide the Network Control Service in a day, or in a week, or in a year, as applicable.~~

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- iii. ~~availability of the service, including arrangements when Planned Outages of the Facility are scheduled; and~~
 - iv. ~~the notice period for calling on the relevant Facility to provide the service.~~
- (d) ~~the Facility that will provide the service, and a requirement that the Facility is registered as a Registered Facility during the period for which Network Control Service are to be provided;~~
 - (e) ~~any conditions required to ensure that if the relevant Facility is transferred or disposed of, the transferee will be bound by the contract obligations (for example, by requiring the execution of a deed of assumption or novation);~~
 - (f) ~~the technical standards which the relevant Facility must comply with;~~
 - (g) ~~the Monthly Availability Payment and monthly payment terms, which must be in accordance with clause 5.8;~~
 - (h) ~~the per MWh price to apply when the Facility is called upon to provide the service;~~
 - (i) ~~measurement of the quantity of service provided;~~
 - (j) ~~compliance standards, testing procedures and liquidated damages for the Market Participant, which must be in accordance with clause 5.6;~~
 - (k) ~~procedures for the Market Participant to inform the IMO and System Management when the capability of any of the relevant Facilities to provide the service changes materially;~~
 - (l) ~~contract modification procedures;~~
 - (m) ~~provisions dealing with contract suspension, default, termination, force majeure conditions, and assignment; and~~
 - (n) ~~such other terms and conditions as the IMO considers appropriate.~~
[Blank]
- 5.5.4. ~~Despite the existence of the standard form Network Control Service Contract, the IMO may enter into a Network Control Service Contract that varies from the standard form Network Control Service Contract. The IMO must consult with System Management before entering into a Network Control Service Contract that varies substantially from the terms of the standard form. [Blank]~~
- 5.6. Network Control Service Contract Compliance Conditions**[Blank]
- 5.6.1. ~~Testing processes, compliance processes and non-compliance liquidated damages are to be defined within each Network Control Service Contract. [Blank]~~
- 5.6.2. ~~If the Market Participant fails to provide a Network Control Service in the quantity and at the time and location requested by the IMO or System Management in accordance with the contract, the IMO and the Market~~

~~Participant must follow the procedure in the Network Control Service Contract.
[Blank]~~

- 5.6.3. ~~A Network Control Service Contract must contain a procedure to be used following the failure of a Market Participant to provide a Network Control Service in the quantity and at the time and location requested by the IMO or System Management in accordance with the contract, and this procedure must include:~~
- ~~(a) — a requirement that the IMO must issue to the Market Participant a request for:
 - ~~i. — a written explanation; and~~
 - ~~ii. — a written plan to remedy the failure;~~~~
 - ~~(b) — a requirement that the Market Participant must respond to the request within five Business Days of receiving the request; and~~
 - ~~(c) — if the IMO finds the explanation or the plan to remedy the failure to be unsatisfactory, then it may, in accordance with the Network Control Service Contract:
 - ~~i. — require a test of the Registered Facility's ability to provide the Network Control Service in accordance with the contract terms. The Market Participant must bear its own costs associated with the tests; and~~
 - ~~ii. — withhold or reduce the Market Participant's payments for the Network Control Service for a period. [Blank]~~~~

5.7. Network Control Service Dispatch

- 5.7.1. ~~The IMO must provide System Management with the details of the Network Control Services Contract to enable System Management to dispatch the services provided under it. Despite this, the Network Operator must not provide System Management with the payment terms of the contract, which must be kept confidential. [Blank]~~
- 5.7.2. ~~System Management may call upon the relevant Facility to provide services under a Network Control Services Contract in accordance with the terms of the contract, as advised to it by the Network Operator in accordance with clause 5.3A.3 and amended in accordance with clause 5.3A.4.~~

Payments and Settlement Data

5.8. Network Control Service Contracts Payments [Blank]

- 5.8.1. ~~The monthly Network Control Service Contract payment to a Market Participant that has a Network Control Service Contract with the IMO in respect of a Facility is to be the greater of zero and:~~
- ~~(a) — the Monthly Availability Payment determined in accordance with the contract; less~~

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- ~~(b) — the value of Capacity Credits held by the Market Participant for that Facility, where this value is the sum of the total value of all of those Capacity Credits, where each Capacity Credit is valued at the applicable Monthly Reserve Capacity Price even if those Capacity Credits are traded bilaterally; less~~
 - ~~(c) — the value of any liquidated damages payable under the contract in respect of a failure of the Market Participant to meet its obligations under the Network Control Service Contract. [Blank]~~
- 5.8.2. ~~The IMO must pay the Market Participant the monthly Network Control Service Contract payment in accordance with Chapter 9. [Blank]~~
- 5.8.3. ~~The Network Operator referred to in clause 5.2.1 must pay the IMO the monthly Network Control Service Contract payment in accordance with Chapter 9. [Blank]~~
- 5.8.4. ~~After receiving the notification described in clause 5.2.1 but before commencing Network Control Services procurement, the IMO may estimate the costs described in clause 5.8.5(a), and invoice the Network Operator referred to in clause 5.2.1 for the estimated amount. [Blank]~~
- 5.8.5. ~~The IMO must determine the dollar amount that is:~~
 - ~~(a) — the costs it has incurred in:~~
 - ~~i. — the expression of interest process described in clause 5.2;~~
 - ~~ii. — the certification process described in clause 5.3;~~
 - ~~iii. — the tender process described in clause 5.4,~~
 - ~~in respect of any tender process for Network Control Services~~
 - ~~(b) — less the amount received under any relevant invoice issued under clause 5.8.4. [Blank]~~
- 5.8.6. ~~Where the dollar amount determined in clause 5.8.4 is a positive amount, the IMO must issue an invoice to the Network Operator referred to in clause 5.2.1, and subject to clause 5.8.8, the Network Operator must pay the IMO the invoiced amount. [Blank]~~
- 5.8.7. ~~Where the dollar amount determined in clause 5.8.4 is a negative amount, the IMO must issue an invoice the Network Operator referred to in clause 5.2.1, and subject to clause 5.8.8, the IMO must pay the Network Operator the determined amount. [Blank]~~
- 5.8.8. ~~Where the Network Operator disputes the amount on an invoice issued under clauses 5.8.4, 5.8.6 or 5.8.7, the dispute resolution process set out in clauses 2.18 to 2.20 apply. [Blank]~~
- 5.9. Settlement Data**
- 5.9.1. The IMO must provide the following information to the settlement system:

- (a) ~~for each month's Network Control Service Contract Payment:~~
 - ~~i. the amount of the payment set out in accordance with clause 5.8.1;~~
 - ~~ii. the Market Participant to which the payment will be made; and~~
 - ~~iii. the Network Operator by which the payment will be made.~~
[Blank]
- (b) for each Network Control Service Contract energy payment:
 - i. ~~the prices set out in the Network Control Service Contract in accordance with clause 5.5.3(h); and~~ [Blank]
 - ii. the Market Participant to which the payment will be made.

5.9.2. The IMO must provide Network Operators with details of any quantities dispatched under their Network Control Service Contracts in a Trading Month by 5:00 PM on the Invoicing Date for Non-STEM Settlement Statements for that Trading Month.

5.9.3 The information provided by the IMO to a Network Operator under clause 5.9.2 must include, for each relevant Facility and Trading Interval:

- (a) the unique identifier of the Network Control Service Contract under which the Dispatch Instruction was issued;
- (b) the MWh quantity by which the Facility was instructed by System Management to increase its output as specified by System Management in accordance with clause 7.13.1(dB) (Loss Factor adjusted to the Reference Node) or reduce its consumption as specified by System Management in accordance with clause 7.13.1(dB);
- (c) the per MWh price paid by the IMO for the quantity dispatched under the Network Control Service Contract; and
- (d) the total amount paid by the IMO to the Market Participant for the quantity dispatched under the Network Control Service Contract.

6.17.6. The Dispatch Instruction Payment, $DIP(p,d,t)$, for Market Participant p and Trading Interval t of Trading Day d equals the sum of:

- (a) zero, if Market Participant p :
- ...
- (d) the sum over all Curtailable Loads registered by the Market Participant of the amount that is the product of:
 - i. the quantity by which the Curtailable Load was instructed by System Management to reduce its consumption, excluding any instructions given under a Network Control Service Contract; and
 - ii. the price defined in clause 6.11A.1(d)(ii) that was current at the time of the Trading Interval for the Curtailable Load (accounting

for whether the Trading Interval is a Peak Trading Interval or an Off-Peak Trading Interval); and

- (e) if the participant is given an instruction under a Network Control Service Contract then the sum over all Network Control Service Contract ~~f~~Facilities registered by the Market Participant of the amount that is the product of:
 - i. the quantity by which the ~~f~~Facility was instructed by System Management to increase its output as specified by System Management in accordance with clause 7.13.1(dB) (where for the purpose of this calculation a Loss Factor adjustment is to be applied to the quantity specified by System Management so that the result is measured at the Reference Node) or reduce its consumption as specified by System Management in accordance with clause 7.13.1(dB); and
 - ii. the price defined as: as applicable under the relevant Network Control Service Contract for the facility as specified in clause 5.9.1(b).
 - 1. MCAP for Trading Interval t, if the Facility was instructed to increase its output; or
 - 2. zero, if the Facility was instructed to reduce its consumption.

7.1.1. System Management must maintain the following data set, and must use this data set when determining which Dispatch Instructions it will give:

...

- (m) Network Control Service Contract data, if any, received from ~~the IMO a~~ Network Operator in accordance with clauses ~~5.7.1~~ 5.3A.3 and 5.3A.4.

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

- (a) in accordance with any Ancillary Service Contract;
- (b) in accordance with any Balancing Support Contract;
- (c) in accordance with the details of any Network Control Service Contract, as advised to System Management by a Network Operator in accordance with clause 5.3A.3 or updated by a Network Operator in accordance with clause 5.2A.4;
- (d) in connection with any test of equipment allowed under these Market Rules; or
- (e) under clause 7.6.3 or clause 7.6.4.

9.12. ~~Network Control Service Calculations for a Trading Month~~ [Blank]

9.12.1. ~~The Market Participant Network Control Service settlement amount for Market Participant p for Trading Month m is:~~

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$$\text{MPNCSA}(p,m) = \text{Sum}(f \in F, n \in N, \text{Network Control Service Contract Payment}(p,m,f,n))$$

Where

~~Network Control Service Contract Payment (p,m,f,n) is the net payment to be made by the IMO under a Network Control Service Contract to Market Participant p, for Trading Month m for Registered Facility f as specified by the IMO under clause 5.9.1 which relates to Network Operator n;~~

~~F is the set of all Market Participant p's Registered Facilities, where "f" refers to a member of that set; and~~

~~N is the set of all Network Operators, where "n" refers to a member of that set. [Blank]~~

9.12.2. ~~The Network Operator Network Control Service settlement amount for Network Operator n for Trading Month m is:~~

$$\text{NONCSA}(n,m) = \text{Sum}(p \in P, f \in F, \text{Network Control Service Contract Payment}(p,m,f,n))$$

Where

~~Network Control Service Contract Payment(p,m,f,n) is the net payment to be made by the IMO under a Network Control Service Contract to Market Participant p, for Trading Month m for Registered Facility f which relates to Network Operator n as specified by the IMO under clause 5.9.1;~~

~~P is the set of all Market Participants, where "p" refers to a member of that set; and~~

~~F is the set of all Market Participant p's Registered Facilities, where "f" refers to a member of that set. [Blank]~~

9.14.1. The Net Monthly Non-STEM Settlement amount for the IMO to Market Participant p for Trading Month m is:

$$\text{NMNSSA}(p,m) = \text{RCSA}(p,m) + \text{Sum}(d, \text{BSA}(p,d,t)) + \text{ASSA}(p,m) + \text{COCSA}(p,m) + \text{RSA}(p,m) + \text{MPNCSA}(p,m) + \text{MPFSA}(p,m)$$

9.14.2. ~~The Net Monthly Network Operator Settlement Amount for the IMO to Network Operator n for Trading Month m~~

$$\text{NMNOSA}(n,m) = (-1) \times \text{NONCSA}(n,m)$$

~~Where NONSCA is defined in clause 9.12.2. [Blank]~~

9.18.3. A Non-STEM Settlement Statement must contain the following information:

...

- ix. details of amounts calculated for the Market Participant under clauses 9.7 to 9.14 with respect to:

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1. Reserve Capacity settlement;
2. Balancing settlement;
3. Ancillary Services settlement
4. Commitment and Outage Compensation settlement
- 4A. Non-Compliance Cost settlement;
5. Reconciliation settlement;
6. ~~Network Control Service settlement; and [Blank]~~
7. Fee settlement; and
8. Net Monthly Non-STEM Settlement Amount;

9.24.3. Notwithstanding anything else in these Market Rules, if at any time the total amount received by the IMO from Rule Participants in cleared funds (“**Total Amount**”) is not sufficient to make the payments which the IMO is required to make under these Market Rules (for example, as a result of default by one or more Rule Participants), then the IMO’s liability to make those payments is limited to the Total Amount. The IMO must apply the Total Amount as follows:

- (a) first, the IMO must apply the Total Amount to satisfy:
 - i. payment of Revenue Requirement Settlement Amounts to the IMO, System Management and the Economic Regulation Authority (including as contemplated by clause 9.22.10);
 - ii. payments which the IMO is required to make under Supplementary Capacity Contracts or to a provider of Ancillary Services holding an Ancillary Service Contract with System Management; and
 - iii. ~~payments which the IMO is required to make under Network Control Service Contracts; and [Blank]~~
 - iv. funds required to be disgorged or repaid by the IMO as contemplated by clause 9.24.2; and
- ...

10.5.1. The IMO must set the class of confidentiality status for the following information under clause 10.2.1, as Public and the IMO must make each item of information available from the Market Web-Site after that item of information becomes available to the IMO:

- ...
- (vC) reports providing the MWh quantities of energy dispatched under Balancing Support Contracts by Facility and Trading Interval, as specified by System Management in accordance with clause 7.13.1(dA), for each Trading Month which has been settled;
- (vD) reports providing the MWh quantities of energy dispatched under Network Control Service Contracts by Facility and Trading Interval, as

specified by System Management in accordance with clause 7.13.1(dB), for each Trading Month which has been settled;

...

Credit Limit: In respect of a Market Participant, the amount determined by the IMO in accordance with clause 2.37.4. ~~In respect of a Network Operator, the amount determined by the IMO in accordance with clause 2.37.6.~~

Monthly Availability Payment: ~~The maximum monthly payment by a Network Operator to a Market Participant providing capacity under a Network Control Service Contract.~~

Network Control Service Certification: ~~Has the meaning given in clause 5.3.2.~~

Network Control Service Contract: A contract between ~~the IMO~~ a Network Operator and a Market Participant, entered into pursuant to chapter 5, to provide a Network Control Service.

Prudential Obligations: In respect of a Market Participant ~~or Network Operator~~, the obligations set out in clauses 2.37 to 2.43.

Appendix 1: Standing Data

This Appendix describes the Standing Data to be maintained by the IMO for use by the IMO in market processes and by System Management in dispatch processes.

Standing Data required to be provided as a pre-condition for Facility Registration, and which is to be updated by Rule Participants as necessary, is described by clauses (a) to (j).

Standing Data not required to be provided as a pre-condition for Facility Registration but that which is required to be maintained by the IMO includes the data described in clauses (k) onwards.

...

(k) For each Registered Facility:

...

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~~limits on the availability of a facility;~~
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)~~the Monthly Availability Payment for the facility;~~ and
3. whether the Facility is subject to a Network Control Service Contract that requires the Facility not to part of an aggregated Facility~~the identity of the Network~~

Public Domain

~~Operator required to fund the Monthly Availability
Payment; and~~

- iii. the Facility Dispatch Tolerance;

APPENDIX 3: ADDITIONAL AMENDMENTS MADE BY THE IMO FOLLOWING THE FIRST SUBMISSION PERIOD

The IMO made some amendments to the Amending Rules following the first submission period. These changes are as follows (~~deleted text~~, added text):

The proposed amended clause will give System Management guidance on the priority of NCS in a Dispatch Merit Order.

7.6.1A Notwithstanding clauses 7.6.2 and 7.6.3, System Management must give priority to the dispatch of a Registered Facility under a Network Control Service Contract over the dispatch of a Registered Facility under any other arrangement, if the Network Control Service provided under that contract would assist System Management to meet the criteria in clause 7.6.1.

APPENDIX 4: ADDITIONAL AMENDMENTS MADE BY THE IMO FOLLOWING THE SECOND SUBMISSION PERIOD

Following the closure of the second submission period, the IMO made some additional changes to the proposed Amending Rules.

These changes are as follows (~~deleted text~~, added text):

- 5.9.3 The information provided by the IMO to a Network Operator under clause 5.9.2 must include, for each relevant Facility and Trading Interval:
- (a) the unique identifier of the Network Control Service Contract under which the Dispatch Instruction was issued;
 - (b) the MWh quantity by which the Facility was instructed by System Management to increase its output ~~as specified by System Management in accordance with clause 7.13.1(dB) (Loss Factor adjusted to the Reference Node)~~ or reduce its consumption ~~as specified by System Management in accordance with clause 7.13.1(dB)~~, as specified in clause 6.17.6(e)(i);
 - (c) the per MWh price paid by the IMO for the quantity dispatched under the Network Control Service Contract, as specified in clause 6.17.6(e)(ii); and
 - (d) the total amount paid by the IMO to the Market Participant for the quantity dispatched under the Network Control Service Contract, determined as the product of the values specified in clauses 5.9.3(b) and 5.9.3(c).
- 7.13.1. System Management must provide the IMO with the following data for a Trading Day by noon on the first Business Day following the day on which the Trading Day ends:
- ...
- (dB) The MWh quantity by which the Facility was instructed by System Management to increase its output or reduce its consumption energy dispatched under a Network Control Service Contract for each Trading Interval in the Trading Day by Facility;
- ...

Clause 9.18.3(c)(ix) was modified by the commencement of RC_2010_26: Minor, Typographical and Manifest Errors. The proposed amendments to the current wording of the clause are shown below.

- 9.18.3. A Non-STEM Settlement Statement must contain the following information:
- ...
- (c) for each Trading Interval of each Trading Day:
- ...

- ix. details of amounts calculated for the Market Participant under clauses 9.7 to 9.14 with respect to:
 - 1. Reserve Capacity settlement;
 - 2. Balancing settlement;
 - 3. Ancillary Services settlement
 - 4. Commitment and outage compensation settlement
 - 4A. Non-Compliance Cost settlement;
 - 5. Reconciliation settlement;
 - 6. ~~Network Control Service settlement;~~[Blank]
 - 7. Fee settlement; and
 - 8. Net Monthly Non-STEM Settlement Amount;

...

Clause 9.24.3 was modified and new clause 9.24.3A created by the commencement of RC_2010_24: Settlement in Default Situations. The reference in clause 9.24.3 to payments for NCSCs was moved to clause 9.24.3A. As a result, the IMO no longer proposes to amend clause 9.24.3 but instead proposes to amend clause 9.24.3A as shown below.

9.24.3A The IMO must apply the Total Amount as follows.

- (a) First, the IMO must apply the Total Amount to satisfy:
 - i. payment of Service Fee Settlement Amounts to the IMO, System Management and the Economic Regulation Authority (including as contemplated by clause 9.22.10);
 - ii. payments which the IMO is required to make under Supplementary Capacity Contracts or to a provider of Ancillary Services holding an Ancillary Service Contract with System Management, up to a maximum for any party of the net amount which, if sufficient funds were available, would be payable to that party; and
 - iii. ~~payments which the IMO is required to make under Network Control Service Contracts, up to a maximum for any party of the net amount which, if sufficient funds were available, would be payable to that party; and~~[Blank]
 - iv. funds required to be disgorged or repaid by the IMO as contemplated by clause 9.24.2;

but if the Total Amount is not sufficient to satisfy all of these payments then the IMO must reduce the payments proportionally. Each payment will be based on the proportion that the Total Amount bears to the amount that would have been required to make all payments.

...