



INDEPENDENT
MARKET
OPERATOR

Rule Change Notice

Constrained On/Off Compensation removal where a Facility is non-compliant with Dispatch Instructions (RC_2012_25)

This notice is given under clause 2.5.7 of the Market Rules.

Submitter: Allan Dawson, IMO

Date Submitted: 21 January 2013

The Proposal

In situations where System Management informs the IMO that a Market Participant has not complied with a Dispatch Instruction, and the IMO determines that the Market Participant has not adequately or appropriately complied with that Dispatch Instruction, the Market Rules give the IMO the authority to reduce the relevant Out of Merit Generation to zero so that the Market Participant does not receive inappropriate Constrained On / Off Compensation.

Neither System Management's requirement to provide the relevant non complying information to the IMO, or the IMO's power to reduce the Out of Merit Generation quantity to zero are subject to any express time constraints in the Market Rules (and in practical terms, may take some time to determine). However, the current settlement process does not allow the IMO to make any necessary adjustments to a Market Participant's Settlement Statement following any determinations it makes with respect to these payments after the initial settlement run.

This Rule Change Proposal seeks to amend the current settlement process in the Market Rules to allow the IMO the opportunity to adjust a Market Participant's Settlement Statement where a Market Participant has not adequately or appropriately complied with its Dispatch Instruction.

Appendix 1 contains the Rule Change Proposal and gives complete information about:

- the proposed amendments to the Market Rules;
- relevant references to clauses of the Market Rules and any proposed specific amendments to those clauses; and
- the submitter's description of how the proposed amendments would allow the Market Rules to better address the Wholesale Market Objectives.



Decision to Progress the Rule Change

The IMO has decided to progress the Rule Change Proposal on the basis that Rule Participants should be given an opportunity to provide submissions as part of the rule change process.

The IMO has decided to subject the Rule Change Proposal to the Fast Track Rule Change Process described in section 2.6 of the Market Rules, on the grounds that it satisfies the criterion in clause 2.5.9(b) of the Market Rules.

Clause 2.5.9 states:

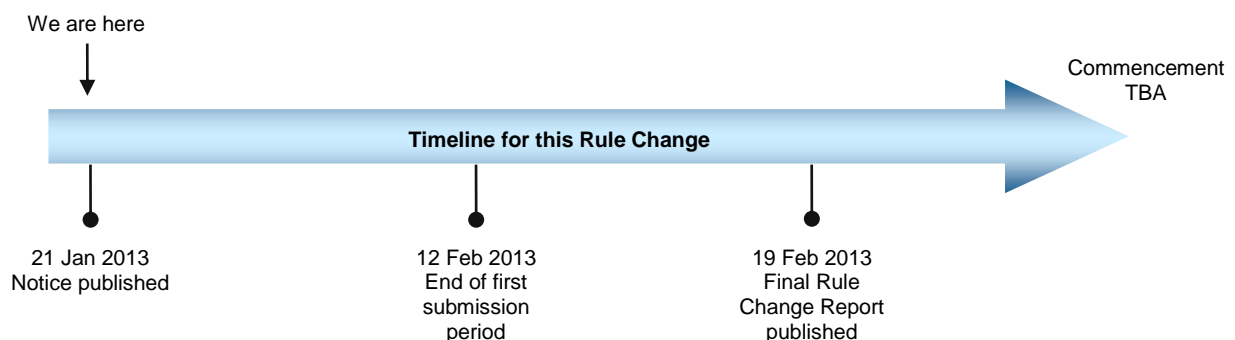
The IMO may subject a Rule Change Proposal to the Fast Track Rule Change Process if, in its opinion, the Rule Change Proposal:

- (a) is of a minor or procedural nature; or*
- (b) is required to correct a manifest error; or*
- (c) is urgently required and is essential for the safe, effective and reliable operation of the market or the SWIS.*

The IMO considers that this Rule Change Proposal corrects a manifest error in the Market Rules. Under the current drafting, clauses 6.16A and 6.16B contemplate that the IMO has the ability to reduce a Facility's Out of Merit Generation to zero if the Facility has not adequately or appropriately followed its Dispatch Instruction. The ability to make this determination implies that there will be some form of adjustment in the settlement process (Settlement Statement) for these Facilities. However, clause 9.16.3 which lists the reasons under which the IMO can undertake a process of adjusting Settlement Statements does not take into account the situations contemplated under clauses 6.16A and 6.16B. As such, the IMO considers that these amendments satisfy the criterion in clause 2.5.9(b).

Timeline

The projected timelines for processing this proposal are:



Call for Submissions

Any Rule Participant wishing to be consulted regarding this Rule Change Proposal is invited to notify

the IMO within 5 Business Days of this notice being published (**29 January 2013**).

The consultation period is 15 Business Days from the publication date of this Rule Change Notice. Submissions must be delivered to the IMO by **5.00pm** on **Monday, 12 February 2013**.

The IMO prefers to receive submissions by email (using the submission form available on the Market Web Site: <http://www.imowa.com.au/rule-changes>) to: market.development@imowa.com.au

Submissions may also be sent to the IMO by fax or post, addressed to:

Independent Market Operator

Attn: Group Manager, Market Development

PO Box 7096

Cloisters Square, PERTH, WA 6850

Fax: (08) 9254 4399



INDEPENDENT
MARKET
OPERATOR

Wholesale Electricity Market Rule Change Proposal

Rule Change Proposal ID: RC_2012_25
Date received: 21 January 2013
Change requested by:

Name:	Allan Dawson
Phone:	9254 4333
Fax:	9254 4399
Email:	allan.dawson@imowa.com.au
Organisation:	IMO
Address:	Level 17 Governor Stirling Tower, 197 St Georges Tce, Perth 6000
Date submitted:	21 January 2013
Urgency:	High
Change Proposal title:	Constrained On/Off Compensation removal where a Facility is non-compliant with Dispatch Instructions
Market Rule(s) affected:	9.16.3, 9.16.3A and 9.19.1

Introduction

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

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

Independent Market Operator

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

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



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

The objectives of the market are:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- (c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.

Details of the Proposed Rule Change

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

Background

One of the functions of the IMO is to settle such transactions as it is required to under the Market Rules. As such, the IMO manages the Settlement, adjusted Settlement Statements and related invoicing processes for the Wholesale Electricity Market (WEM). This includes invoicing all revenue and costs for each Market Participant relating to:

- Short term Energy Market (STEM) activities, with invoices issued and settled weekly; and
- Non- STEM activities, with Non- STEM invoices issued and settled monthly, two months in arrears (i.e. the initial settlement run for a Trade Month (n) is processed in the first week of the second month after the trade month (n + 2) with invoices issued two months after the trade month).

STEM invoices comprise of Market Participants' purchases from and sales to the STEM. As the STEM market is a forward market that does not require meter data for Settlement purposes it can be settled on a different timeframe from other transactions. Non-STEM invoices include allocation of costs for Ancillary Services, Balancing, Reconciliation, Reserve Capacity and Market Fees. Details of these transactions require the availability of Meter Data and so are settled by the IMO after the necessary Meter Data has been received.

Market Participants are able to use the processes prescribed in the Market Rules to raise a Notice of Disagreement and Notice of Dispute with the IMO about Settlement Statements so

that these can be revised and invoices adjusted or corrected (clauses 9.19 and 9.20 of the Market Rules, as appropriate). The settlement Adjustment Process calculates the change in settlement position of all Market Participants after accounting for all changes to settlement data stemming from the provision of updated information by the Metering Data Agent and resolution of Notices of Disagreement and Disputes.

Issue

Where System Management informs the IMO that a Market Participant has not complied with a Dispatch Instruction and the IMO determines that the Market Participant has not adequately or appropriately complied with that Dispatch Instruction, the Market Rules give the IMO the power to reduce the relevant Out of Merit Generation to zero. The result is that the Market Participant will not be paid any Constrained On or Constrained Off Compensation in instances where the constraint payment is the result of non-compliance with a Dispatch Instruction. Neither System Management's requirement to provide the relevant non-complying information to the IMO, or the IMO's power to reduce the Out of Merit quantity to zero are subject to any express time constraints in the Market Rules (and in practical terms, may take some time to determine). However, the current settlement process in the Market Rules does not allow the IMO to make any necessary adjustments to a Market Participant's Settlement Statement following any determinations it makes with respect to these payments after the initial settlement run.

The IMO's ability to practically recover Constrained On/Off Compensation introduced in RC_2011_10 was assumed to be obtainable through the settlement adjustment rules. The IMO's ability to update settlement invoices with the results of its determinations with respect to Constrained On/Off Compensation needs to be progressed as soon as possible to minimise the impact of interest accruing on payments that may be recovered and to give Market Participants certainty with respect to their settlement position as soon as possible.

Proposal

The IMO proposes to amend the current settlement process in the Market Rules to allow the IMO the opportunity to adjust a Market Participant's Settlement Statement where a Market Participant has not adequately or appropriately complied with their Dispatch Instruction. The proposed amendments would provide for:

- Adjustments of Non-STEM Settlement Statements where System Management has provided a report to the IMO under clause 7.10.7 and the IMO determines that the relevant Market Participant has not adequately or appropriately complied with a Dispatch Instruction.

2. Explain the reason for the degree of urgency:

The IMO considers that this Rule Change Proposal corrects a manifest error in the Market Rules. Under the current Market Rules, clauses 6.16A and 6.16B contemplate that the IMO has the ability to reduce a Facility's Out of Merit Generation to zero if the Facility has not adequately or appropriately followed their Dispatch Instruction. The power for the IMO to make this decision is not time constrained and this implies that there will be some form of adjustment in the settlement process (Settlement Statement) for these Facilities. However, clauses 9.16 and 9.19, which stipulate the reasons under which the IMO can undertake a process for adjusting Settlement Statements does not take into account the situations contemplated under clause 6.16A and 6.16B. As such, the IMO considers that this proposal should be progressed using the Fast Track Rule Change Process, on the grounds that it satisfies the criterion in clause 2.5.9(b) of the Market Rules.

Clause 2.5.9 states:

The IMO may subject a Rule Change Proposal to the Fast Track Rule Change Process if, in its opinion, the Rule Change Proposal:

(a) is of a minor or procedural nature; or

(b) is required to correct a manifest error; or

(c) is urgently required and is essential for the safe, effective and reliable operation of the market or the SWIS.

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

9.16.3. The IMO must undertake a process for adjusting settlements (“**Adjustment Process**”) in accordance with clause 9.19. The purpose of the process is to review the relevant Settlement Statements which were issued in the nine months prior to the commencement of the Adjustment Process (“**Relevant Settlement Statements**”) to facilitate corrections resulting from Notices of Disagreement, the resolution of Disputes, revised metering data provided by Metering Data Agents, and any revised Market Fee rate, System Operation Fee rate or Regulator Fee rate (as applicable) and due to any determinations made in accordance with clauses 6.16A.1(b)(i), 6.16A.2(b)(i), 6.16B.1(b)(i) or 6.16B.2(b)(i). Adjustments may only be made to Relevant Settlement Statements. Adjustments may not be made to Settlement Statements outside of an Adjustment Process.

9.16.3A A Relevant Settlement Statement is:

- (a) Any STEM Settlement Statement or Non-STEM Settlement Statement that requires correction as the result of the resolution of a dispute raised under clause 2.19, or where the IMO has indicated under clause 9.20.7 that it will revise information in response to a Notice of Disagreement; and
- (b) Any Non-STEM Settlement Statement for which the Invoicing Date occurred in the month that is three, six or nine months prior to the start of the Adjustment Process, and for which the IMO has received revised metering data from a Metering Data Agent or due to any determinations made in accordance with clauses 6.16A.1(b)(i), 6.16A.2(b)(i), 6.16B.1(b)(i) or 6.16B.2(b)(i).

9.19.1. When undertaking an Adjustment Process the IMO must:

- (a) recalculate the amounts included in the Relevant Settlement Statements in accordance with this Chapter but taking into account any:
 - i. revised metering data which has been provided by Metering Data Agents;
 - ii. actions arising from a Notice of Disagreement; and

- iii. the resolution of any Dispute; and
 - iv. determinations made under clauses 6.16A.1(b)(i), 6.16A.2(b)(i), 6.16B.1(b)(i) or 6.16B.2(b)(i); and
- (b) provide adjusted STEM Settlement Statements and adjusted Non-STEM Settlement Statements to Rule Participants in accordance with the timeline specified under clause 9.16.4 in respect of the relevant Adjustment Process.
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4. Describe how the proposed Market Rule change would allow the Market Rules to better address the Wholesale Market Objectives:

The IMO considers that the proposed amendments would correct a manifest error in the Market Rules and are consistent with the Wholesale Market Objectives.

Furthermore, the IMO considers that the proposed amendments will allow the Market Rules to better achieve Wholesale Market Objective (a). The IMO's ability to update settlement invoices with the results of its determinations with respect to Constrained On/Off Compensation will ensure that significant costs as a result of non-compliance with Dispatch Instructions are not borne by the market.

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

Costs: None identified.

Benefits:

- Correction of a Manifest Error;
 - Financial certainty for Market Participants with respects to their settlement position; and
 - Greater clarity around when and why Settlement Statements may be adjusted in the Market Rules.
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