



**Draft Rule Change Report**  
**Title: System Management Review**  
**Period Budget Coverage Amendment**

Ref: RC\_2009\_23  
Standard Rule Change Process

Date: 10 September 2009

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## 1. INTRODUCTION

On 15 July 2009 the Economic Regulation Authority (ERA) submitted a Rule Change Proposal regarding the addition of clause 3.13.3A and the amendment of clauses 2.23.1, 2.23.2, 2.23.3, 2.23.5, 2.23.7, 2.23.12, 3.11.11, 3.11.14, 3.13.1, 3.13.3, and 3.22.1 to the Wholesale Electricity Market Rules (Market Rules).

This Rule Change 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 timeline

## 2. CALL FOR SECOND ROUND SUBMISSIONS

The IMO invites interested stakeholders to make submissions on this Draft Rule Change Report. The submission period is 20 Business Days from the publication date of this Report. Submissions must be delivered to the IMO by 5:00pm on **Wednesday 9 October 2009**.

The IMO prefers to receive submissions by email to

. ***The Proposal and the Wholesale Market Objectives***

In its proposal the ERA submitted that it considered that this Rule Change Proposal will remove the ambiguities regarding Ancillary Services in relation to System Management budget review and the responsibilities for setting the payment parameters. This improves the integrity of the Market Rules and therefore is consistent with the operation of the Wholesale Market Objectives.

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However, System Management states in its submission that in the event that the costs of providing Ancillary Services are revised mid-period then the Rule Change Proposal does not appear to make provision for Cost\_LR values to be adjusted.

System Management notes that it has raised this issue with both the ERA and the IMO. There was support from the IMO and ERA to incorporate an adjustment mechanism within the Rule Change Proposal to cater for the ne



Moreover, the Amending Rules should be modified to provide guidance to the ERA for undertaking a public consultation process for the revision of Cost\_LR and the determination of Cost\_LR and margin values.

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



~~parameter for the Review Period to the Economic Regulation Authority. Cost LR must cover the costs for providing the Load Rejection Reserve and System Restart Ancillary Services and Dispatch Support Ancillary Services except those provided through clause 3.11.8B.~~

- ~~(e)~~(b) the Economic Regulation Authority must undertake a public consultation process, which must include publishing an issues paper and issuing an invitation for public submissions.

3.13.3B For each Review Period, by 31 March of the year in which the Review Period commences, the Economic Regulation Authority must determine values for Cost LR, taking into account the Wholesale Market Objectives and in accordance with the following:

- (a) by 30 November of the year prior to the start of the Review Period, System Management must submit a proposal for the Cost LR parameter for the Review Period to the Economic Regulation Authority. Cost LR must cover the costs for providing the Load Rejection Reserve and System Restart Ancillary Services and Dispatch Support Ancillary Services except those provided through clause 3.11.8B;
- (b) the Economic Regulation Authority must undertake a public consultation process, which must include publishing an issues paper and issuing an invitation for public submissions.

3.13.3C For any year within a Review Period if System Management determines Cost LR for the following financial year to be materially different than the costs provided under clause 3.13.3B, then the Economic Regulation Authority must determine the revised values for Cost LR, taking into account the Wholesale Market Objectives and in accordance with the following:

- (a) by 30 November of the year prior to the start of the relevant financial year, System Management must submit an updated proposal for the Cost LR parameter to the Economic Regulation Authority. Cost LR must cover the costs for providing the Load Rejection Reserve and System Restart Ancillary Services and Dispatch Support Ancillary Services except those provided through clause 3.11.8B;
- (b) the Economic Regulation Authority may undertake a public consultation process and:
- i) if a public consultation process is undertaken, the Economic Regulation Authority must publish an issues paper71(n)-0.1159159(t)-0.056571(i)1.8696

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**Wholesale Market Objective**

**Consistent with objective**

. ***Market Advisory Committee***

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- (a) system operation services, including all of System Management's functions and obligations under these Market Rules, ~~except the provision of Ancillary Services; and~~
- ~~(b) System Management's functions and obligations under these Market Rules in relation to the provision of Ancillary Services.~~

2.23.2. For each year until the process referred to in clause 2.23.3 to 2.23.10 applies, the Shareholding Minister must determine the budget of System Management for ~~each of~~

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- i. ~~the reserve availability payment margin applying for Peak Trading Intervals, Margin\_Peak, which must take account of:~~
  - 1. ~~the margin the Electricity Generation Corporation could reasonably have been expected to earn on energy sales forgone due to the supply of Spinning Reserve during Peak Trading Intervals;~~
  - 2. ~~the loss in efficiency of the Electricity Generation Corporation Registered Facilities that System Management has scheduled to provide Spinning Reserve during Peak Trading Intervals that could reasonably be expected due to the scheduling of those reserves;~~
  
- ii. ~~the reserve availability payment margin applying fo~~

...

- (a) determining Ancillary Service Requirements; and
- (b) entering into Ancillary Services Contracts, including the process for conducting competitive tender processes utilised for the awarding of Ancillary Services Contracts; ~~and~~

~~(c) preparing budget proposals for providing Ancillary Services.~~

3.13.1. The total payments by the IMO on behalf of System Management for Ancillary Services in accordance with Chapter 9 comprise:

...

- (c) Cost\_LRD, the monthly amount for Load Rejection Reserve and System Restart, determined in accordance with ~~System Management's budget~~ the process described in clause 3.13.3B and 3.13.3C; 2-23, and Dispatch Support service determined in accordance with clause 3.11.8B.

3.13.3. The parameters Margin\_Peak and Margin\_Off-Peak to be used in the settlement calculation described in clause 9.9.2 are:

- (a) where the Economic Regulation Authority has not completed its first assessment ~~of the efficient costs of System Management~~ in accordance with clause ~~3.13.3A2-23.3~~ 3.13.3A2-23.3:
  - i. 15-% for Margin\_Peak; and
  - ii. 12% for Margin\_Off-Peak; and
- (b) determined by the Economic Regulation Authority, where the Economic Regulation Authority has completed its first assessment ~~of the efficient costs of System Management~~ in accordance with clause ~~3.13.3A2-23.3~~ 3.13.3A2-23.3.

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that could reasonably be expected due to the scheduling of those reserves;

ii. for the reserve availability payment margin applying for Off-Peak Trading Intervals, Margin Off-Peak, the IMO must take account of:

1. the margin the Electricity Generation Corporation could reasonably have been expected to earn on energy sales forgone due to the supply of Spinning Reserve during Off-Peak Trading Intervals;
2. the loss in efficiency of the Electricity Generation Corporation Registered Facilities that System Management has scheduled to provide Spinning Reserve during Off-Peak Trading Intervals that could reasonably be expected due to the scheduling of those reserves;

- (b) by 30 November of the year prior to the start of the Review Period, System Management must submit a proposal for the Cost\_LR parameter for the Review Period to the Economic Regulation Authority. Cost\_LR must cover the costs for providing the Load Rejection Reserve and System Restart Ancillary Services and Dispatch Support Ancillary Services except those provided through clause 3.11.8B.
- (c) the Economic Regulation Authority must undertake a public consultation process, which must include publishing an issues paper and issuing an invitation for public submissions.

3.13.3B For each Review Period, by 31 March of the year in which the Review Period commences, the Economic Regulation Authority must determine values for Cost\_LR, taking into account the Wholesale Market Objectives and in accordance with the following:

- (a) by 30 November of the year prior to the start of the Review Period, System Management must submit a proposal for the Cost\_LR parameter for the Review Period to the Economic Regulation Authority. Cost\_LR must cover the costs for providing the Load Rejection



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System Restart Ancillary Services and Dispatch Support Ancillary Services except those provided through clause 3.11.8B;

- (b) the Economic Regulation Authority may undertake a public consultation process and:
  - i) if a public consultation process is undertaken, the Economic



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- (c) where possible, the Economic Regulation Authority should benchmark the Allowable Revenue against the costs of providing similar services in other jurisdictions; ~~and~~
- ~~(d) the determination of the Allowable Revenue of Ancillary Service provision must take into account the payment structure set out in clause 3.13, and the Economic Regulation Authority must determine values for:~~
  - ~~i. the reserve availability payment margin applying for Peak Trading Intervals, Margin\_Peak, which must take account of:~~
    - ~~1. the margin the Electricity Generation Corporation could reasonably have been expected to earn on energy sales forgone due to the supply of Spinning Reserve during Peak Trading Intervals;~~
    - ~~2. the loss in efficiency of the Electricity Generation Corporation Registered Facilities that System Management has scheduled to provide Spinning Reserve during Peak Trading Intervals that could reasonably be expected due to the scheduling of these reserves;~~
  - ~~ii. the reserve availability payment margin applying for Off-Peak Trading Intervals, Margin\_Off-Peak, which must take account of:~~
    - ~~1. the margin the Electricity Generation Corporation could reasonably have been expected to earn on energy sales forgone due to the supply of Spinning Reserve during Off-Peak Trading Intervals;~~
    - ~~2. the loss in efficiency of the Electricity Generation Corporation Registered Facilities that System Management has scheduled to provide Spinning Reserve during Off-Peak Trading Intervals that could reasonably be expected due to the scheduling of these reserves;~~
  - ~~iii. Cost\_LRD, which must cover the costs for providing the Load Rejection Reserve and System Restart Ancillary Services, but does not take into account the costs for providing Dispatch Support Ancillary Services.~~
- ~~(e) the determination of the Allowable Revenue of Ancillary Service provision must take into account Ancillary Service Contracts that System Management has entered into.~~

3.11.11. By 1 June each year, System Management must submit to the IMO a report containing information on:

...

- (b) the total cost of each of the categories of Ancillary Services provided, including Ancillary Services provided under Ancillary Service Contracts, in the preceding year; and



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1. the margin the Electricity Generators reasonably have been expected to have forgone due to the supply of Spinning Reserves during Trading Intervals;
  2. the loss in efficiency of the Registered Facilities that would be required to provide Spinning Reserves that could reasonably be expected to be used for those reserves;
- ii. for the reserve availability during Trading Intervals, Marginal Peak Trading Intervals:
1. the margin the Electricity Generators reasonably have been expected to have forgone due to the supply of Spinning Reserves during Peak Trading Intervals;
  2. the loss in efficiency of the Registered Facilities that would be required to provide Spinning Reserves that could reasonably be expected to be used for those reserves;
- (b) by 30 November of the year of the Review, the System Management Parameter for the Review Cost LR must cover the cost of the Reserve and System Restart Ancillary Services and Dispatch Support Ancillary Services except those provided through clause 3.11.8B.