



Wholesale Electr



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 obj



- Dispatch Support service component. This will be determined from information provided monthly by System Management.

This Rule Change Proposal also proposes to amend the Market Rules to state that the:

- IMO is responsible for proposing the Margin_Peak, Margin_Off-Peak parameters; and
- System Management is responsible for proposing the Cost_LR parameter.

This would be a new responsibility for both the IMO and System Management if this Rule Change Proposal was to proceed.

Overview of proposed rule changes

In order to remove the requirement for System Management to propose an Ancillary Services budget for the relevant three-yearly Review Period and place the responsibility for proposing Margin_Peak, Margin_Off-peak and Cost_LR onto the IMO and System Management, it is proposed to amend 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, 3.13.3A (new) and 3.22.1 in the Market Rules.

An explanation of the proposed amendments to the abovementioned clauses are as follows:

Clause	Explanation of proposed amendments
2.23.1	Modified subclause (a) is an editorial change only. Deleted subclause (b) recognises that System Management does not have to cover Ancillary Service payments out of their budget.
2.23.2	Editorial change only.
2.23.3	Modified subclause (c) is an editorial change only.



Note that clause 2.23 is a protected provision under Market Rule clause 2.8.13 and will require Ministerial Approval.



- (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
 - (c) the Ancillary Service Requirements for the coming year and the Ancillary Services plan to meet those requirements; ~~and~~
 - ~~(d) the budget approved in accordance with clause 2.23 for providing Ancillary Services for the coming year.~~
- 3.11.14 System Management must document in the Power System Operating Procedure the procedure to be followed, and must follow that documented Market Procedure, when:
- ...
- (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 ~~3.13.3A; 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 ~~3.13.3A; 2.23.3~~:
 - 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 ~~3.13.3A; 2.23.3~~.
- 3.13.3A For each Review Period, by 31 March of the year in which the Review Period commences, the Economic Regulation Authority must determine values for the parameters Margin_Peak, Margin_Off-Peak and Cost_LR in accordance with the following:
- (a) by 30 November of the year prior to the start of the Review Period, the IMO must



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. 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.
- 3.22.1. The IMO must provide the following information to the Settlement System for each Trading Month:
- ...
- (c) Margin_Peak as described in clause 3.13.3A-2.23.12(d)(i);
- (d) Margin_Off-Peak as described in clause 3.13.3A-2.23.12(d)(ii);
- ...
- (g) Cost_LRD as the sum of:
- i Cost_LR (as described in clause 3.13.3A) divided by 12 as a monthly amount^{4(e)}; and
 - ii the monthly amount for Dispatch Support service as advised in accordance with clause 3.22.3(b); and
- ...



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

The ERA considers 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