



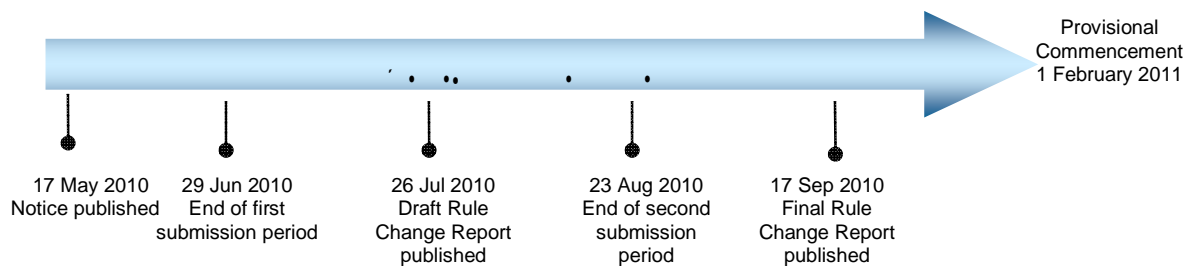
Date: 26 July 2010

1. INTRODUCTION 3
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On 13 May 2010 System Management submitted a Rule Change Proposal regarding amendments to clauses 7.10.2, 7.10.5A(b), 7.12.1, 7.13.1 and Chapter 11 and the proposed new clause 3.21AA 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:



Please note the commencement date is provisional and may be subject to change in the Final Rule Change Report.

The draft decision of the IMO CEO is to accept the Rule Change Proposal as proposed and modified following the first submission period. The detailed reasons for the decision are set out in section 5 of this report.

In making its draft 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_2009_37.



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, .

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

of the Market Rules when deciding whether to approve an Equipment Test. The IMO considers that these requirements should ensure that Equipment Tests are not approved to take place during periods when they might have a large impact on MCAP.

4.2 Public Forums and Workshops

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

4.3 Additional Amendments to the Amending Rules

Following the first public submission period the IMO has made some changes to the proposed Amending Rules:

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The proposed amendments will require changes to both the Wholesale Electricity Market Systems operated by the IMO and the SMMITS system operated by System Management. Costs are estimated to be approximately \$20,000 for System Management and \$5,000 for the IMO.

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

5.3 Market Advisory Committee

The MAC discussed the proposal at a number of meetings:

- 14 October 2010: General Business;
- 11 November 2009: Pre Rule Change Discussion Paper; and
- 12 May 2010: Pre Rule Change Discussion Paper.

An overview of the discussions from the various MAC meetings is presented below. Further details are available in the MAC meeting minutes available on the IMO website: <http://www.imowa.com.au/market-advisory-committee>

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System Management noted its intent to provide a Pre

Change Proposal to allow for the concept of Equipment Tests to be included in the PSOP.

- System Management agreed to provide an estimate of implementation costs associated with using SMMITS for the registration of Equipment Tests to the IMO.

The MAC agreed that the proposal should be progressed subject to the agreed changes.

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System Management presented its revised proposal at the 12 May 2010 meeting. During the meeting System Management noted that the proposal exempts a Market Participant from enforcement action for deviations from its Resource Plan during an approved Equipment Test. However, the Market Participant would remain liable for UDAP, DDAP and Capacity Cost Refunds.

The MAC supported the progression of the Rule Change Proposal.

5.4 Views Expressed in Submissions

The IMO received three submissions in favour of the proposal during the first submission period. LGP, Perth Energy and Synergy were generally supportive of the proposal on the grounds that it will allow for Market Participants to test their equipment outside the normal maintenance cycle without distorting commercial incentives. Synergy noted some concerns around the impact of Equipment Tests on MC

3.21AA.1 An Equipment Test (“Equipment Test”) is a test conducted by a Market Participant of the ability of a generating system to:

- (a) verify Standing Data for a Facility in accordance with clause 2.34.6;
- (b) resolve technical performance issues; or
- (c) confirm capability of Ancillary Services.

3.21AA.2 A Market Participant may apply to System Management for an Equipment Test no later than 12PM on the Scheduling Day for the next Trading Day.

3.21AA.3 An application for an Equipment Test must be made in accordance with the Power System Operation Procedure and contain:

- (a) the name and location of the Facility to be tested;
- (b) the commencement time of all Trading Intervals during which testing will be conducted; and
- (c) details of the test to be conducted, including an indicative test program.

3.21AA.4 System Management must notify the Market Participant of whether System Management has approved an Equipment Test by no later than 4PM on the Scheduling Day.

3.21AA.5 System Management must not show bias towards a Market Participant concerning the approval of Equipment Tests.

3.21AA.6 In deciding whether to approve a proposed Equipment Test, System Management must have regard to whether:

- (a) there is adequate time to properly consider the application;
- (b) outages approved pursuant to clause 3.19 and tests approved pursuant to clause 4.25.8 would be affected by the intended Equipment Test; and
- (c) the test can be accommodated at the proposed time without undue risk to Power System Security or Power System Reliability.

3.21AA.7 System Management must document the procedure it follows in approving Equipment Tests in the Power System Operation Procedure and System Management and Market Participants must follow that documented Market Procedure when planning and conducting Equipment Tests.

Generation facilities at times require ongoing testing (eg for environmental approvals) which is unable to satisfy the requirements of a Commissioning Test as provided for in clause 3.21A.

There is no ability under the Market Rules to undertake a test of equipment except via production consistent with a Resource Plan or Commissioning Test. Where a participant endeavours to perform a test under a Resource Plan there may on occasion be undisclosed deviations. To ensure Power System Security and Power System Reliability it is imperative that Market Participants consult with System Management before undertaking tests which may see the facility deviate from its Resource Plan, to allow System Management to plan system operations accordingly during the relevant period.

However, under the current Market Rules, if a facility notified System Management of the intention to perform such a test, and the test would result in deviation from a Resource Plan, System Management would be obliged to order the facility to return to the Resource Plan. Non-compliance with this instruction would expose the Participant to enforcement action.

System Management noted that its proposal intends to provide an option to Market Participants called an "Equipment Test". A participant could utilise this option to seek System Management approval, in advance, of a deviation from Resource Plan. The participant would be exempted from enforcement action in respect of the obligation to comply with Resource Plan for the duration of the test, but participants would still remain liable for commercial penalties (ie. UDAP, DDAP, Forced Outage refunds).

Advance notification must be given to System Management in the form of a proposed testing plan, which if approved, removes System Management's obligation to order the facility back to its Resource Plan in accordance with clause 7.10.5 of the Market Rules for the duration of the test.

System Management notes that the advantage of the proposal is a higher degree of transparency associated with real-time deviations from Resource Plans. If Market Participants are given the opportunity to provide their test plans to System Management in advance, and are exempt from compliance (but not commercial) penalties this will afford a significant benefit to real-time power system operations through greater visibility of a participant's intended behaviour.

Because participants will be relieved of the risk of compliance action during the period of the Equipment Test, System Management considered that publication of the existence of such a test is appropriate. Consequently, a change 0.115971(e)23.052 09(l)11.76 Td [l-24.3453(p)-0.1159

2. Where a Market Participant wishes System Management to use the process stipulated in Market Rules the Market Participant must provide System Management with a testing plan equivalent to Appendix I and must specifically request that System Management exercise its powers under clause 7.10.5A or approves an Equipment Test under clause 3.21AA.

3. System Management may vary the requirements set out in Appendix I for a particular Market Participant as required by the circumstances.

4. System Management will advise Market Participants of contact details and modes of communication for the submission of commissioning test plans as provided for under this section 5.6.

5. A Market Participant must comply with the communication requirements set by System Management pursuant to section 5.6.4 of this Procedure.

6. System Management may prepare a com 59(M)-28P6t om g

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

3.21AA.1 An Equipment Test ("Equipment Test") is a test conducted by a Market Participant of the ability of a generating system to:

- (a) verify Standing Data for a Facility in accordance with clause 2.34.6;
- (b) resolve technical performance issues; or
- (c) confirm capability of Ancillary Services.

3.21AA.2 A Market Participant may apply to System Management for an Equipment Test no later than 12PM on the Scheduling Day.

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- (a) the name and location of the Facility to be tested;
- (b) the commencement time of all Trading Intervals during which testing will be conducted; and
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3.21AA.6 In deciding whether to approve a proposed Equipment Test, System Management must have regard to whether:

- (a) there is adequate time to properly consider the application;
- (b) outages approved pursuant to clause 3.19 would be affected by the intended Equipment Test; and
- (c) the test can be accommodated at the proposed time without undue risk to Power System Security or Power System Reliability.

(e) the incidence of any Equipment Test approved in accordance with clause 3.21AA, including the date the Equipment Test occurred and the Facility details.

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:

...

(h) the identity of the Facilities which were subject to either a Commissioning Test or a test of Reserve Capacity or an Equipment Test for each Trading Interval of the Trading Day.

Chapter 11 _____ has the meaning given in clause 3.21AA.1.

The proposed minor amendment to clause 7.12.1 will improve the integrity of the Amending Rules.

7.12.1 System Management must provide a report to the IMO once every three months on the performance of the market with respect to the dispatch process. This report must include details of:

...

(d) the incidence and extent of shortfalls in Ancillary Services, involuntary curtailment of load, High Risk Operating States and Emergency Operating States, together with:

i. a summary of the circumstances that caused each such incident; and

ii. a summary of the actions that System Management took in response to the incident in each case;and

~~(e)~~ the incidence of any Equipment Test approved in accordance with clause 3.21AA, including the date the Equipment Test occurred and the Facility details.

The proposed minor amendment to clause 7.13.1 will improve the integrity of the Amending Rules.

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:

...

(h) the identity of the Facilities which were subject to ~~either~~ a Commissioning Test, ~~or~~ a test of Reserve Capacity or an Equipment Test for each Trading Interval of the Trading Day.