

ELECTRICITY INDUSTRY ACT 2004

ELECTRICITY INDUSTRY (WHOLESALE ELECTRICITY
MARKET) REGULATIONS 2004

WHOLESALE ELECTRICITY MARKET RULES

Market Procedure:
Network Control Services

Version 2

Commencement: This Market Procedure is to have effect from 8:00am
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Version history

<u>12 September 2006</u>	<u>Market Procedure for Prudential Requirements as at Market Start</u>
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1. Procurement of Network Control Service Procedure

The Procurement of Network Control Service Procedure covers the procedures to be followed in relation to applications for Network Control Service Certification and in carrying out the Network Control Service Tender process. The procedure also outlines the contract conditions that must be contained in a Network Control Service Contract.

This procedure is made in accordance with Market Rules 5.3.9, 5.4.14 and 5.5.3.

1.1. Interpretation

In this procedure, unless the contrary intention is expressed:

- (a) terms used in this procedure have the same meaning as those given in the Wholesale Electricity Market Rules (made pursuant to the Electricity Industry (Wholesale Electricity Market) Regulations 2004);
- (b) to the extent that this procedure is contrary or inconsistent with the Market Rules, the Market Rules shall prevail to the extent of the inconsistency;
- (c) a reference to the Market Rules or Market Procedures includes any associated forms required or contemplated by the Market Rules or Market Procedures; and
- (d) words expressed in the singular include the plural or vice versa.

1.2. Overview of Network Control Service

Network Control Services are services provided by generation and/or Demand Side Management that can be substituted for an upgrade to the transmission or distribution network.

Under the Access Code, Network Operators must notify the IMO where there is an opportunity for distributed generation or Demand Side Management to compete with a transmission or distribution system upgrade. (Market Rule 5.2.1)

The IMO is required to run an expression of interest process to determine whether any parties other than the Network Operator can provide the services. (Market Rule 5.2.3) Where sufficient interest is shown, the IMO will announce a tender for the required Network Control Service. (Market Rule 5.2.7)

Prospective generators and Demand Side Management providers are not required to be Market Participants to submit expressions of interest, but are required to be registered, in accordance with the Market Rules, to participate in the tender process. (Market Rule 5.3.1)

The IMO will publish on its website (www.imowa.com.au) the details of the tender process and the timelines for:

- (a) Network Control Service Certification;
- (b) publication of the invitation to tender;
- (c) deadline for submission of tenders; and
- (d) date the IMO will announce results of tender process. (Market Rule 5.4.1)

The first step for a Market Participant seeking to submit a tender is to apply to the IMO for Network Control Service Certification of the level of the required Network Control Service that can be provided by the Market Participant's Facility or Facilities. (Market Rule 5.3.2) Section 2 of this procedure outlines the steps to be followed to apply for Network Control Service Certification and the steps the IMO will follow in processing applications for Network Control Service Certification.

The IMO will release an invitation to tender for the acquisition of the Network Control Service, which will adhere to the requirements of Market Rule 5.4.4. (Market Rule 5.4.3) Market Participants who have received Certification, and the Network Operator, are able to submit tender offers to supply all or part of the Network Control Service requirement. (Market Rule 5.4.5) Section 3 of this procedure outlines the steps to be followed by Market Participants and the Network Operator in submitting a written tender. It also outlines the process the IMO will follow in carrying out the Network Control Service Tender process.

The IMO will select tender responses to achieve the lowest total cost while covering the Network Control Service requirement. (Market Rule 5.4.8) However, the IMO is not under any obligation to accept any tender made in response to its invitation to tender. (Market Rule 5.4.9) If a network upgrade is the less expensive option, the IMO will not accept any of the generation or Demand Side Management tender responses.

Where the IMO selects a tender response from a Market Participant other than the Network Operator, the IMO and the Market Participant must enter into a Network Control Service Contract. (Market Rule 5.4.11) The IMO may accept more than one tender response. A Network Control Service Contract must be entered into between the IMO and each Market Participant for which a tender response was selected. Section 4 of this Procedure outlines the requirements for Network Control Service Contracts.

2. Network Control Service Certification

2.1. Procedure steps to be followed by an applicant applying for Network Control Service Certification

Applications must be submitted for Network Control Service Certification for each Network Control Service Tender process. The Network Control Service Certification for any Tender expires at the completion of that tender process. Where a tender response by a generator or Demand Side Management provider is accepted by the IMO, the generator or Demand Side Management provider, as the case may be, will be required to apply for Certified Reserve Capacity in respect of each of the Facilities set out in the selected tender response.

The following steps apply to applicants for Network Control Service Certification:

- 1 Before submitting an application for Network Control Service Certification, Market Participants should familiarise themselves with the relevant Market Rules and the related Network Control Service procedures, including but not limited to the requirement that an applicant must be a registered Market Participant. (Market Rule 5.3.1)
- 2 Market Participants wishing to submit a tender must secure Network Control Service Certification by the date published by the IMO on its website (www.imowa.com.au) for securing Network Control Service Certification. (Market Rule 5.4.2) To ensure that Network Control Service Certification is secured by the published date, Market Participants will need to allow at least 10 Business Days for the IMO to process a completed application.
- 3 The IMO will make available on its website (www.imowa.com.au) a form to be used by Market Participants making an application for Network Control Service Certification in accordance with this procedure (see Appendix A for information to be included in an Application for Network Control Service Certification).
- 4 The application made by a Market Participant for Network Control Service Certification must be submitted to the IMO by mail or by email to the address provided by the IMO in its details of the tender process published on the IMO website (www.imowa.com.au).
- 5 A Market Participant must contact the IMO and may be required to resubmit an application for Network Control Service Certification in the event that an application has been made to the IMO, but the receipt of the application has not been acknowledged by the IMO within one Business Day of the submission. The resubmission of an application for Network Control Service Certification must allow sufficient time for the IMO to process the application prior to the deadline published by the IMO for securing Network Control Service Certification.
- 6 A Market Participant must respond to any additional requirements or questions by the IMO during the processing of its application.

2.2. Procedure steps to be followed by the IMO in processing an Application for Network Control Service Certification

Acknowledgement of application

- 1 Within one Business Day of receipt of an application for Network Control Service Certification, the IMO must notify the applicant that its application has been received.

Eligibility

- 2 The IMO must determine whether the applicant is a Market Participant. (Market Rule 5.3.1)
- 3 If the applicant is not a Market Participant, the IMO must reject the application and advise the applicant, in writing, within one Business Day.

Data accuracy and sufficiency

- 4 The IMO must check all data provided on the application form to determine whether:
 - (a) all required information has been provided;
 - (b) (information has been specifically provided to support the Applicant's claims in respect to the capacity of the Facility; and
 - (c) the information provided is of sufficient detail for the IMO to make an assessment.
- 5 If the information provided by the applicant is insufficient or incomplete, the IMO must contact the applicant and request additional data.
- 6 If the information provided by the applicant is sufficient, including any additional information provided by the applicant, the IMO must process the application.
- 7 In processing an application, the IMO may use the information provided by the applicant and any other information that the IMO may require to make its determinations.

Timing

- 8 For a Facility scheduled to commence operations before the timeframe required for the Network Control Service Tender, the IMO must determine if it has cause to believe that the Facility may not commence within the required timeframe.
- 9 The IMO must determine if it has cause to believe that a Facility will cease operations such that it could not meet the Network Control Service obligations for the duration of the Network Control Service Contract.
- 10 If the criteria in Steps 2.2.8 or 2.2.9 apply to a Facility, the IMO may seek further information from the applicant in respect to the commencement or

cessation of operations and may determine whether there are any limitations on the availability of the Facility.

Assessment of performance factors

- 11 The IMO will determine whether there are any other reasons to think that a Facility may not be able to provide the level of Network Control Service nominated by a Market Participant. In making this determination, the IMO may have regard to:
- (a) any minimum technical requirements specific to the Network Control Service being tendered; and
 - (b) any availability requirements specific to the Network Control Service being tendered.
- Any criteria or requirements specific to the Network Control Service will be outlined by the IMO in its expression of interest and tender notifications to allow applicants to address.
- 12 The IMO will use the above assessment criteria, and any other factors it considers relevant, in making a determination of whether Network Control Service Certification should be granted.
- 13 The IMO may, but is not required to, certify a Facility for a level of Network Control Service. Network Control Service Certification can only be granted to the level of capacity that the IMO is satisfied that a Facility can reliably provide. (Market Rule 5.3.6) The IMO may certify for an amount less than required for the Network Control Service. In that case, an applicant can only tender for a part of the Network Control Service requirement.
- 14 The IMO will notify all applicants, in writing, whether Network Control Service Certification has been granted and, where Network Control Service Certification is not granted, the reasons for its determination.
- 15 Where Network Control Service Certification is granted, the IMO will include the following information in the Network Control Service Certification:
- (a) the Network Control Service Tender for which certification pertains;
 - (b) the Facility certified to tender for the Network Control Service;
 - (c) the quantity of proposed Network Control Service that can be provided by the Facility, including any conditions or performance criteria;
 - (d) the relevant notice period for calling on the proposed Network Control Service. (Market Rule 5.3.7)

2.3. Form for the Network Control Service Certification

A Network Control Service Certification application form will be published on the IMO website (www.imowa.com.au). A summary of the information to be provided is outlined at Appendix A.

3. Network Control Service Tenders

3.1. Procedure steps to be followed by a Market Participant and the Network Operator in submitting written tenders

The following steps apply to Market Participants and the Network Operator when submitting written tenders:

- 1 A Market Participant or the Network Operator must download any relevant tender documents, including but not limited to the invitation to tender and any accompanying documents, from the IMO website (www.imowa.com.au).
- 2 A Market Participant or the Network Operator may respond to an invitation to tender by submitting a written tender in the form, and by the date, specified in the invitation to tender. The written tender must be submitted to the IMO by mail, or by email, to the contact details provided in the invitation to tender.
- 3 Market Participants submitting written tenders are taken to:
 - (a) be familiar with the Market Rules and Market Procedures;
 - (b) have examined all relevant information and carried out appropriate and sufficient enquiries and due diligence to satisfy themselves as to the completeness, correctness, currency and accuracy of the relevant tender documents before submitting a tender;
 - (c) have examined all information that is relevant to the risks, contingencies and other circumstances having an effect on their tender; and
 - (d) be satisfied as to the correctness of its tender and that the prices quoted cover the costs and expenses of complying with all obligations and doing all matters and things necessary for the provision of the Network Control Service.
- 4 Market Participants must not:
 - (a) offer more capacity than is indicated by their Network Control Service Certification (Market Rule 5.4.6);
 - (b) offer a per MWh price, for when Facility is called upon, that is greater than the Alternative Maximum STEM Price. (Market Rule 5.4.7)
- 5 A Market Participant must contact the IMO, and must resubmit its tender, in the event that a tender has been submitted to the IMO but the receipt of the tender has not been acknowledged by the IMO within one Business Day of the submission. The resubmission of a written tender must be made prior to the deadline published by the IMO for submission of tenders.
- 6 A Market Participant must respond to any additional requirements or questions outlined in this procedure and/or provided by the IMO during the consideration of its tender.

- 7 If a Market Participant is successful, it must:
- (a) execute a Network Control Service Contract in accordance with Market Rule 5.5 and Section 4 of this Procedure;
 - (b) apply to the IMO for Certified Reserve Capacity in respect to the relevant Facility as set out in Market Rule 5.4.12; and
 - (c) ensure that the relevant Facility is registered as a Registered Facility as set out in Market Rule 5.4.13.

3.2. Procedure steps to be followed by the IMO when carrying out tender processes

- 1 Where the IMO is required to carry out a tender process, it will publish on its website (www.imowa.com.au) details of the tender process and a tender process timeline outlining the dates for the following:
- (a) deadline for securing Network Control Service Certification;
 - (b) publication of the invitation to tender;
 - (c) deadline for submission of tenders; and
 - (d) date the IMO will announce results of tender process. (Market Rule 5.4.1)
- 2 The IMO will also advertise the tender process in national media in whatever manner or form the IMO sees fit.
- 3 By the date specified in the tender process timeline, the IMO will publish on its website (www.imowa.com.au), an invitation to tender for the acquisition of the relevant Network Control Service. The invitation to tender will contain the information set out in Market Rule 5.4.4.
- 4 Following the deadline for submission of tenders, the IMO may request a meeting with any tenderer.
- 5 Following the deadline for submission of tenders, but prior to the date in which the IMO has provided to announce results of the tender process, the IMO will determine the results of the tender process.
- 6 The IMO will evaluate all tenders according to the IMO's interpretation of the contents of each tender. Where the IMO considers it necessary and appropriate, the IMO may seek further information to clarify a tender at the IMO's discretion. However, the IMO will not enter into correspondence or negotiation with a tenderer in relation to any interpretations made by the IMO.
- 7 In selecting tenders, the IMO must seek to achieve the lowest total cost, 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) of the Market Rules divided by 12. (Market Rule 5.4.8)

- 8 The IMO will assess the lowest tender offer, or collective of tender offers for part of the service requirements (as the case may be) including, where applicable, an estimation of costs to connect the relevant Facility or Facilities to the Network.
- 9 The IMO's tender assessment is subject to the tender, or tenders (as the case may be) meeting the relevant technical requirements for the Network Control Service.
- 10 The IMO is not under any obligation to accept any tender, or to enter into a Network Control Service Contract in respect of any tender, made in response to the IMO's invitation to tender. (Market Rule 5.4.9)
- 11 Where the IMO selects a tender, it will be in relation to the whole quantity of capacity offered, unless the relevant Market Participant or Network Operator specified that partial quantities may be accepted. (Market Rule 5.4.9)
- 12 The IMO will provide written notification to each Market Participant and Network Operator that submitted a tender as to whether they have been successful. This notification will be made by the deadline published by the IMO for notification of the results of the tender process.
- 13 Where the IMO selects a tender other than from the Network Operator, the IMO and the selected Market Participant must execute a Network Control Service Contract in accordance with Market Rule 5.5 and Section 4 of this Procedure.

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4. Network Control Service Contracts

4.1. Standard Form Network Control Service Contract

The IMO is required to develop a standard form Network Control Service Contract. (Market Rule 5.5.1)

The IMO will publish on its website (www.imowa.com.au) a copy of the standard form contract prior to the first tender process commenced pursuant to this procedure and clause 5.4 of the Market Rules.

4.2. Provisions included in the standard form Network Control Service Contract

In accordance with Market Rule 5.5.3, the standard form Network Control Service Contract must make provision for the following:

- 1 The Network Control Service being provided;
- 2 The minimum duration of the contract will be outlined in the notification provided by the Network Operator. However the may extend this minimum period. This must be reflected in the contract (clause 5.2.2);
- 3 The procedures for the IMO, via System Management, to call on the Facility to provide the service, including:
 - (a) operational arrangements under which the IMO will allow System Management to call on the relevant Facility to provide the service;
 - (b) the quantities of the service that will be provided including, where applicable, any limitations on the time periods for which the Facility can be called on to provide the service. The limitations may include:
 - (i) times of the day, or of the week, or of the year at which the 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;
 - (ii) a maximum number of times which the Facility can be called on to provide the service, in a week, or in a year, as applicable;
 - (iii) the maximum duration of each occasion when the Facility can be called on to provide the service; and
 - (iv) a maximum cumulative duration for which the Facility can be called on to provide the Network Control Service in a day, or in a week, or in a year, as applicable;
 - (c) availability of the service, including any restrictions on arrangements when Planned Outages of the Facility are scheduled; and
 - (d) the notice period for calling on the Facility to provide the service;

Deleted: , which in accordance with Market Rule 5.2.2 is a minimum period of 10 years, and

Deleted: include extension options

- 4 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 is to be provided;
- 5 Any conditions required to ensure that if the 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);
- 6 The technical standards with which the Facility must comply;
- 7 The Monthly Availability Payment and monthly payment terms, in accordance with Market Rule 5.8;
- 8 The per MWh price to apply when the Facility is called on to provide the service;
- 9 Measurement of the quantity of service provided;
- 10 Compliance standards, testing procedures and liquidated damages for the Market Participant, in accordance with Market Rule 5.6;
- 11 Procedures for the Market Participant to inform the IMO and System Management when the capability of the Facility to provide the service changes materially;
- 12 Contract modification procedures;
- 13 Provisions dealing with contract suspension, default, termination, force majeure conditions, and assignment; and
- 14 Any other terms and conditions as the IMO considers appropriate.

4.3. Variation from Standard Form Network Control Service Contract

The IMO is able to enter into a Network Control Service Contract that varies from the standard form contract. The IMO must consult with System Management before entering into a Network Control Service Contract that varies substantially from the standard form. (Market Rule 5.5.4

5. Cost Recovery for Network Control Service Procurement Process

Estimation of Costs

After receiving notification by a Network Operator that there is an opportunity for distributed generation or Demand Side Management to compete with a transmission or distribution system upgrade, but prior to commencing the Network Control Service procurement process, the IMO may determine an estimate of costs it expects to incur for the following:

- (a) the expression of interest process;
- (b) the certification process; and
- (c) the tender process.

The IMO may invoice the relevant Network Operator for the estimated costs.

Cost Determination

Following the Network Control Service procurement process, the IMO must determine the costs it incurred for the following:

- (a) the expression of interest process;
- (b) the certification process; and
- (c) the tender process.

In the event the IMO invoiced the Network Operator for an initial estimate of costs, the IMO will subtract this amount from its cost determination. The IMO will invoice the Network Operator for any net costs remaining or refund the Network Operator for any overpayment.

Where the IMO did not invoice the relevant Network Operator in respect to an estimate of costs, the IMO will invoice the Network Operator for the actual costs determined.

Appendix A – Information to be included in Application for Network Control Service Certification Form

- Company and Contact Person details
- Facility Details
- Key Dates for the development and commissioning of the Facility
- Verification of Network Access
- Evidence of Environmental Approvals
- Generator Information, including Capacity, Fuel Supply, Outage Performance
- Demand Side Management Information
- Restrictions on Availability of Facilities
- Declaration