



Independent Market Operator

**The IMO's decision: Proposed
Amended Power System
Operation Procedure:**

**Monitoring and Reporting
Protocol**

Ref: PPCL0019

Date: 21 July 2011

CONTENTS

1.	INTRODUCTION	3
2.	THE PROCEDURE CHANGE PROPOSAL	4
2.1	Summary of the Proposal.....	4
3.	PUBLIC CONSULTATION PERIOD.....	4
3.1	Submissions received	4
3.1.1	Submission from the IMO.....	4
3.1.2	Submission from LGP	8
4.	THE IMO'S ASSESSMENT	9
4.1	Wholesale Market Objectives.....	9
4.2	Market Rules, the Electricity Industry Act and Regulations	10
4.3	Implementation of the amended Power System Operation Procedure.....	10
4.4	System Management Procedure Change and Development Working Group	10
5.	THE IMO'S DECISION	13
6.	THE AMENDED POWER SYSTEM OPERATION PROCEDURE	13
6.1	Commencement.....	13
6.2	Wording of the amended Power System Operation Procedure.....	13

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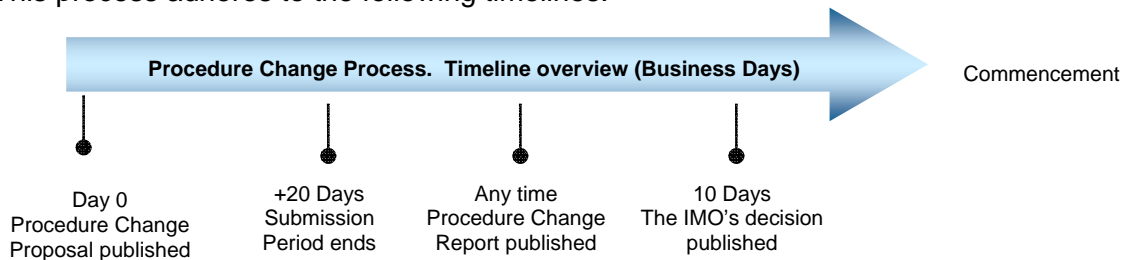
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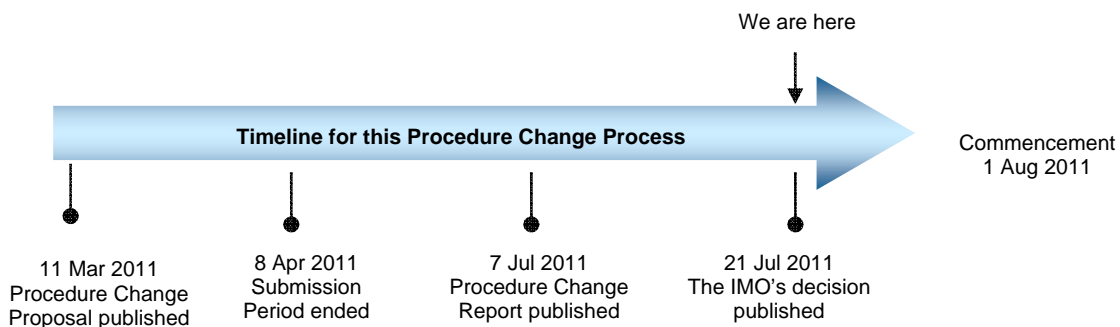
1. INTRODUCTION

On 11 March 2011, the Independent Market Operator (IMO) published a Procedure Change Proposal from System Management regarding the proposed amended Power System Operation Procedure (PSOP): Monitoring and Reporting Protocol. The proposal has been processed according to the Procedure Change Process under clause 2.10 of the Wholesale Electricity Market Rules (Market Rules).

This process adheres to the following timelines:



The key dates in processing this Procedure Change Proposal are:



Clause 2.10.14 of the Market Rules requires the IMO to make a decision whether to approve a proposed PSOP, or amendment to or replacement for a PSOP, prepared by System Management.¹ This approval is required within 10 Business Days of a Procedure Change Report being published.

The IMO's decision is to approve the PSOP as proposed by System Management and amended following the consultation process. The details of the IMO's assessment are set out in section 4 of this report.

All documents related to this proposed PSOP can be found on the IMO website:

<http://www.imowa.com.au/PPCL0019>

¹ Market Procedures include the PSOPs developed by System Management. Refer to Chapter 11 of the Market Rules for further details.

2. THE PROCEDURE CHANGE PROPOSAL

2.1 Summary of the Proposal

In its proposal, System Management put forward a number of amendments to the PSOP: Monitoring and Reporting Protocol that are required for consistency with the Rule Change Proposal: The use of tolerance levels by System Management (RC_2009_22) which commenced on 1 December 2010. In particular, clause 2.13.6K of the Amending Rules resulting from RC_2009_22 requires System Management to document the procedure for determining and reviewing the annual Tolerance Range and any Facility Tolerance Ranges to apply for the purposes of clause 7.10.1 and 3.21 of the Market Rules in the PSOP.

System Management also notes that it has included a number of minor and typographical amendments to the PSOP consistent with its endeavour to continuously seek to improve the integrity and accuracy of the PSOP's.

3. PUBLIC CONSULTATION PERIOD

3.1 Submissions received

The public submission period was between 14 March 2011 and 8 April 2011. During this time System Management received submissions from the IMO and Landfill Gas & Power (LGP).

3.1.1 Submission from the IMO

In respect of section 5.2 of the Monitoring and Reporting Protocol headed "Initial determination and subsequent annual review of tolerance range and relevant facility tolerance ranges" the IMO submitted the following:

Step 5.2.2 (comments also apply to steps 5.2.7 and 5.2.10)

- The IMO considers System Management should publish its responses to all submissions and that the "may" should be "must".
- the IMO suggests rewriting some parts of this step for a clearer statement of the intent, as follows:

"System Management must consult with Rule Participants prior to setting the Tolerance Range. **[MR 2.13.6D]** System Management must initiate consultation by publishing a proposed through displaying suggested Tolerance Range(s) for public comments for six weeks on either the System Management website or the IMO Market wWeb sSite, whichever source it considers is suitable at the time, and inviting Rule Participants to provide submissions within six weeks. System Management must publish its responses to each issue raised in submissions received from Rule Participants, on the Market Web Site where the proposed Tolerance Range was published. ~~by publishing its via the nominated consultation medium.~~"

Step 5.2.3

- The IMO queries whether an ex-post Tolerance Range is contemplated by the Amending Rules and requests System Management's confirmation of this.

- The IMO notes that the term ‘Power System’ is not a defined term in the Market Rules and considers that ‘SWIS’ would be a more appropriate term.
- The IMO suggests additional wording to clarify the meaning of the second sentence of this section. In particular, the IMO suggests the following amendments:

“System Management may determine a real time Tolerance Range and ~~an ex post Tolerance Range~~ to apply to all facilities. In making that determination System Management must consider the following elements:

- a. the variability of generation/load movement in aggregate on:
 - (i) the SWIS Power System at any point in time; and
 - (ii) the overall effect on system frequency;
- b. the Load Following requirement;
- c. Facility ramping behaviours;
- d. the proportion of Facilities required to comply with Resource Plans synchronised on the system during an average Trading Day; and
- e. any other factors ~~which that~~ may influence real time operation of the SWIS Power System. **[MR 2.13.6K]”**

Step 5.2.4

- The IMO considers that System Management should be required to provide responses to all submissions to reflect that the required consultation has been conducted in good faith. Clause 2.21.4 of the Market Rules provides support for this view.

Step 5.2.5

- The IMO considers that, to clarify the obligations, this step should be split to reflect two separate processes:
 - steps for System Management to undertake if it considers that a Tolerance Range is not suitable for a particular Facility; and
 - steps for a Market Participant to undertake if it considers that a Tolerance Range is not suitable for a particular Facility.

Under System Management’s proposed amendment the IMO considers that the Market Participant would be required to anticipate what System Management considers regarding a Tolerance Range and then apply to have it changed.

- The IMO suggests the following changes (splitting Step 5.2.5 into new Steps 5.2.5A and 5.2.5B):

5.2.5A ~~“In instances where either~~ If System Management considers that a Tolerance Range for all facilities is not suitable for a particular facility it may determine a Facility Tolerance Range for that particular facility in

accordance with section 5.2.6 of this procedure. The Facility Tolerance Range will apply to the particular facility in place of the Tolerance Range.”

5.2.5B “If ~~or~~ a Market Participant ~~does not~~ considers that believe the a Tolerance Range ~~in for all facilities~~ is not suitable for a particular facility, ~~a~~ the Market Participant ~~is required to~~ may submit an application ~~by~~ via email to System Management stating the reasons why a the Tolerance Range is less suitable for the particular facility concerned. System Management may, in accordance with ~~the process in~~ section 5.2.6 of this procedure, determine a specific Facility Tolerance Range for the facility. This Facility Tolerance Range will apply to a the specific particular generation facility in place of the Tolerance Range.”

Step 5.2.6

- The IMO suggests a small grammatical amendment, as follows

The circumstances ~~by~~ in which System Management may exercise its discretion to determine a specific Facility Tolerance Range include:

- a. first time entry of small loads into the SWIS;
- b. generators with excessively variable output; or
- c. any other exceptional circumstances which System Management considers reasonable.

Step 5.2.7

- Refer to the IMO’s comments under Step 5.2.2. The IMO’s suggests the following amendments:

“System Management must consult with the Market Participants prior to determining a Facility Tolerance Range [MR 2.13.6E]. System Management ~~must~~ initiate consultation ~~by publishing a proposed~~ through displaying suggested Facility Tolerance Range(s) for public comments for six weeks on either the System Management website or the IMO Market wWeb sSite, whichever source ~~it considers~~ is suitable at the time, inviting Rule Participants to provide submissions within six weeks. System Management ~~must~~ publish its responses to each issue raised in submissions received from Rule Participants, on the Market Web Site where the proposed Facility Tolerance Range was published. by publishing its via the nominated consultation medium.”

Step 5.2.9

- The IMO considers that System Management should be required to provide responses to all submissions to reflect that the required consultation has been conducted in good faith. Clause 2.21.4 of the Market Rules provides support for this view.
- The IMO suggests the following amendment for clarification:

At least 14 Business Days prior to the date from which a change to the Facility Tolerance Range becomes effective, System Management must submit to the IMO for publication on the Market Web Site:

- a. the reasons for System Management's decision to change the Facility Tolerance Range;
- b. any submissions received from Market Participants;
- c. the applicable Facility Tolerance Range; and
- d. an effective date for the commencement of the applicable Facility Tolerance Range. **[MR 2.13.6E]**

Where appropriate, System Management may provide responses to each issue raised in the submissions received from Market Participants.

Step 5.2.10

- Refer to the IMO's comments under Step 5.2.2. The IMO suggests the following amendments:

~~As required by the The Market Rules, require that~~ System Management must review the Tolerance Range and all Facility Tolerance Ranges at least annually **[MR 2.13.6G]**. System Management must initiate consultation by publishing a proposed ~~through displaying suggested~~ Tolerance Range and Facility Tolerance Ranges(s) for public comments for six weeks on either the System Management website or the IMO Market wWeb sSite, ~~whichever source it considers is suitable at the time, and inviting Rule Participants to provide submissions within six weeks.~~ System Management must publish its responses to each issue raised in submissions received from Rule Participants, on the Market Web Site. ~~by publishing its via the nominated consultation medium.~~

Step 5.2.11

- The IMO considers that as currently drafted this step is unclear. The Tolerance Range or Facility Tolerance Range will not be effective from the date that IMO publishes the information received from System Management under clauses 2.13.6D and 2.13.6E, but rather from the date that System Management specifies under clauses 2.13.6D(b)iii. and 2.13.6E(b)iv..
- The IMO suggests the following amendments:

Following a review, System Management may vary the Tolerance Range or Facility Tolerance Range **[MR 2.13.6G]**. Varied Tolerance Ranges and Facility Tolerance Ranges are effective from the date specified by System Management, as published by the IMO on the Market Web Site in accordance with the Market Rules **[MR2.13.6D and MR2.13.6E]**.

In respect of section 9.2 of the Monitoring and Reporting Protocol headed "Alleged Breaches":

Step 9.2

- The IMO considers this section is unclear and inaccurate. Breaches are not required to be reported by System Management under clause 7.10.1 of the Market Rules. System Management is required to monitor Rule Participants for breaches of clause 7.10.1 but this clause itself does not expressly require System Management to report a failure to comply with this clause. A breach report is required by System Management under clause 2.13.8(b), but not if the conditions outlined in clause 2.13.6B are relevant. The IMO considers that this should be clarified in section 9.2. Therefore, the IMO suggests that section 9.2 be reviewed by System Management to ensure its intent and purpose is accurately reflected.

System Management's response

System Management noted the views expressed by the IMO. Although the majority of the suggestions submitted by the IMO were adopted, System Management provides details in its Procedure Change Report of those particular items which have not been adopted and the reasons why.

The IMO notes that System Management adopted the majority of its substantive comments on the PSOP. The IMO also notes that System Management's updates to the PSOP unintentionally created some additional issues including an inconsistency in the consultation process. These oversights have now been addressed following the IMO's queries around the proposed revised process.

The IMO considers that the revisions to revised step 5.2 (as provided in the revised final version of the PSOP available on the following Market Web Site) are consistent with the Market Rules and Wholesale Market Objectives.

3.1.2 Submission from LGP

LGP noted that it supports the Procedure Change Proposal on the grounds that it improves and clarifies the existing procedure conditional on an editorial read-through to improve the logical flow and consistency of the PSOP. Specifically LGP notes that:

- Clause 5.3.2 should better distinguish between the "real time Tolerance Range" and the "ex-post Tolerance Range. The procedure should also indicate somewhere why this is necessary.
- Clause 5.2.5 provide that if System Management believes that a Tolerance Range is unsuitable, then a (emphasis added) Market Participant must apply to System Management for it to be changed. Having regard to the fact that System Management itself set the offending Tolerance level and then went through the public consultation process to confirm it, the sense and intent of this is unclear.
- Clause 5.2.7 appears to say that System Management must consult with all Market Participants prior to determining a Tolerance Range for a single facility. Is this the intent?

- Clauses 5.2.8 and 5.2.9 appear to duplicate clause 5.2.3 and 4.2.4.
- Clause 5.2.10 should be integrated with clause 5.2.2 to the extent that it duplicates it.

While not part of the Procedure Change Proposal, LGP also suggest consideration of the original procedure as follows:

- Clause 5.3 should specify that only Market Rules requiring monitoring by System Management are listed in the Table. That said, ideally, this clause would be integrated with clause 5.2 and 5.2's reference to priority included as new clause 2.4.
- Please clarify whether clause 5.4.3 applies to only the Energy Generation Corporation (Verve Energy) or to all participants.

System Management's response

System Management supported the suggestions made by LGP. Although the majority of the suggestions submitted by LGP were adopted, System Management provides details in its Procedure Change Report of those particular items which have not been adopted and the reasons why.

4. THE IMO'S ASSESSMENT

In determining whether to approve the amended PSOP: Monitoring and Reporting Protocol, the IMO has assessed the proposed amended PSOP for consistency with the provisions outlined in clause 2.9.3 of the Market Rules.

In particular, clause 2.9.3 outlines that PSOPs must:

- be developed, amended or replaced in accordance with the process in these Market Rules;
- be consistent with the Wholesale Market Objectives; and
- be consistent with these Market Rules, the Electricity Industry Act and Regulations.

In accordance with clause 2.10.15(c), the IMO has also reviewed the commencement date proposed by System Management to ensure that it will allow sufficient time after the date of publication of the Procedure Change Report for Rule Participants to implement changes required by it.

The IMO's assessment is outlined in the following sections.

4.1 Wholesale Market Objectives

The proposed amendments to the PSOP: Monitoring and Reporting Protocol facilitate the process of integrating the commenced rule change RC_2009_22: The use of Tolerance levels by System Management.

The IMO considers that the steps are drafted in a way that does not change the operation or objectives of the Market Rules. As a result, the IMO considers that the proposed amended PSOP: Monitoring and Reporting Protocol as a whole is consistent with the Wholesale Market Objectives.

4.2 Market Rules, the Electricity Industry Act and Regulations

The IMO considers that the proposed amended PSOP: Monitoring and Reporting Protocol is consistent, as a whole, with:

- the Market Rules,
- the Electricity Industry Act; and
- Regulations.

The IMO also considers that the proposed amended PSOP is consistent with all other Market Procedures.

4.3 Implementation of the amended Power System Operation Procedure

In its Procedure Change Report System Management does not identify any operational considerations that need to be taken into account when determining the implementation date for PPCL0019. The IMO also notes that the submissions received during the public consultation process did not provide any evidence to suggest that the proposed amended PSOP: Monitoring and Reporting Protocol will require Market Participants, the IMO or System Management to implement any procedural or system amendments before it can commence. Consequently the IMO considers that System Management's proposed commencement date at 8.00am on 1 August 2011 should allow sufficient time from the date of publication of System Management's Procedure Change Report to ensure compliance with the amended PSOP.

4.4 System Management Procedure Change and Development Working Group

In making its decision, the IMO notes the process involved in producing the PSOP. The proposed amended PSOP: Monitoring and Reporting Protocol was not discussed by the MAC or the PSOP Working Group (Working Group) following its formal submission into the Procedure Change Process. The Working Group is appointed by the MAC to develop, consider and assess changes to System Management PSOPs that the Market Rules require System Management to develop.

In its Procedure Change Proposal, System Management notes that the proposed amendments were discussed by the Working Group. The IMO notes that these discussions by the Working Group occurred at both the 5 October and 28 October 2010 Working Group meetings prior to formal submission of the Procedure Change Proposal. A summary of the Minutes of the discussion at the 5 October meeting is provided here

Mr Neil Hay opened the discussion noting the current informal practice of System Management applying tolerances. Mr Hay noted the the Rule Change Proposal: The use of Tolerance Ranges by System Management (RC_2009_22) will allow System Management to apply two tolerance levels for reporting purposes:

- *a general level (Tolerance Range); and*
- *the individual Facility level (Facility Tolerance Range).*

Mr Hay noted that the requirements to setting both the Tolerance Range and Facility Tolerance Range are specified in the Amending Rules resulting from RC_2009_22 which will commence 1 December 2010. Mr Hay noted that System Management was also required to outline further details of the process it intends to follow in determining the Tolerance Range and Facility Tolerance Ranges in the Power System Operation Procedure: Monitoring and Reporting. It was noted that there is already a Tolerance Range in the Market Rules (for settlement purposes).

Mrs Papps noted that the Amending Rules will not change Market Participant's compliance obligations.

Mr Hay outlined the difference between the accuracy of SCADA data and Meter Data and noted that the application of the tolerances will simply remove its obligation to report non-compliance within certain tolerance levels.

Mr Hay noted that System Management's intention was to develop the process for determining tolerances in conjunction with the Working Group prior to submitting the Procedure Change Proposal into the formal process. In particular, Mr Hay noted that System Management wished to seek the views of Working Group members on whether two types of Tolerance Range and Facility Tolerance Range were required; one for the real time output deviations and the second for ex-post deviations. Mr Hay suggested that there should be a wider tolerance for the realtime reporting and suggested 30MW but added this may be too high.

Discussion ensued around the issue of ramping and the difficulty in meeting Resource Plans especially around the 9.30pm-10.00pm shoulder time. In particular, Mr Michael Frost noted that the use of Tolerance Ranges appeared to be a common sense approach to the identified technical issues.

Mr Hay reiterated that a Market Participant will still be required to meet its Resource Plan and that they will still be subject to UDAP and DDAP. The tolerance will simply mean that System Management will not have to notify a Market Participant each time a deviation from its Resource Plan occurs when it is within the Tolerance or Facility Tolerance Range.

Mr Hay noted that SCADA was not as accurate as meter data and so System Management may otherwise flood Market Participants with instructions to return to their Resource Plans where it might be the case that actual meter data would show they were following Resource Plan.

Mr Bill Bowyer suggested that there may be scope of increasing the tolerances during transitional periods.

Mr Hay noted that this would require a further change to the Market Rules and was outside the scope of the working group's consideration. Additionally, Mr Hay noted that even if System Management were to apply varied tolerance to transitional periods it would not remove the Market Participant's obligation to comply with its Resource Plan.

Dr Steve Gould questioned why System Management couldn't calibrate the SCADA data and the meter data for each Facility and use this instead to determine when a Facility is not compliant with its Resource Plan. Mr Hay responded that this was why they included an individual Facility Tolerance Range which would be annually reviewed.

Mr Hay noted that System Management would work with Market Participant's to get their SCADA data as accurate as it can be.

A member questioned the obligations to get accurate SCADA data. The Chair noted that he thought that the accuracy requirement was for SCADA data to be within 2 or 3%, however agreed to investigate and report back.

Action Point: System Management to investigate and confirm the accuracy requirements of SCADA data.

Mr Hay explained that in addition to making unnecessary calls to Facilities, tolerance levels will also help it prioritise by calling the Facility with the biggest deviation first.

Mr Frost questioned what tolerance would apply for new Facilities. Mr Hay responded that new Facilities could be given a two month period during which the accuracy of SCADA data could be identified. Following from this it would be decided whether a Facility Tolerance Range would be required.

Mrs Papps questioned how System Management would work out the both the Tolerance Range and any Facility Tolerance Range. In response, Mr Hay noted that they currently had two figures in mind:

- 10MW – which would equate to the current exemption for a Scheduled Generator to not register as a Market Participant; or*
- 30MW - this figure may however only be useful for realtime data. Another smaller value may be required for any ex-post tolerance.*

System Management noted the need for consultation on whether both a real time and an ex-post tolerance should be applied and requested feedback from Working Group members on this.

Action Point: Working Group members to provide their views on whether it is appropriate that both a real time and an ex-post Tolerance Range and where applicable Facility Tolerance Range are applied by System Management.

Ms Debra Rizzi questioned whether System Management would anticipate a change in the behaviour of Market Generators following the implementation of the Amending Rules. Mr Hay noted that no behavioural change was anticipated as the Amending Rules would not remove the requirement for Market Generators to adhere to its Resource Plan.

Mr Peter Ryan noted that there are currently tolerances applied to settlements and suggested that these were appropriate due to the manifest disincentives created by UDAP and DDAP penalties. Mr Ryan suggested that the 3% tolerance applied to settlements could also be applied for the purposes of System Management's compliance reporting. Mr Ryan also noted that the issue regarding the accuracy of Meter Data and SCADA data needs to be rectified.

Minutes from the 28 October meeting have not been made available by System Management to the Working Group members to date.

Given the lack of transparency around the discussion at the Working Group meeting on 28 October, the IMO makes no assessment as to whether System Management has incorporated any amendments recommended by the Working Group prior to formal submission into the

Procedure Change Process. The IMO also notes that System Management makes no comment in its Procedure Change Report as to whether it has incorporated the advice of the Working Group received during the 28 October meeting.

5. THE IMO'S DECISION

The IMO's decision is to approve the amended PSOP: Monitoring and Reporting Protocol as proposed by System Management in its Procedure Change Report.

5.1 *Reasons for the decision*

The IMO's decision is based on its assessment that the amended PSOP:

- is consistent with the Wholesale Market Objectives;
- is consistent with the Market Rules, the Electricity Industry Act and Regulations; and
- requires no operational or system changes prior implementation.

As noted previously, the IMO makes no assessment as to whether the amended PSOP reflects the advice provided by the Working Group.

Additional detail outlining the analysis behind the IMO's reasons is outlined in section 4 of this report.

6. THE AMENDED POWER SYSTEM OPERATION PROCEDURE

6.1 *Commencement*

The amended PSOP: Monitoring and Reporting Protocol will commence at 08.00am on 1 August 2011.

6.2 *Wording of the amended Power System Operation Procedure*

The wording of the amended PSOP: Monitoring and Reporting Protocol, as proposed by System Management, is available on the IMO's website.