



Independent Market Operator

**IMO's decision: Power System
Operation Procedure:**

Dispatch

Ref: PPCL0015

Date: 19 March 2010

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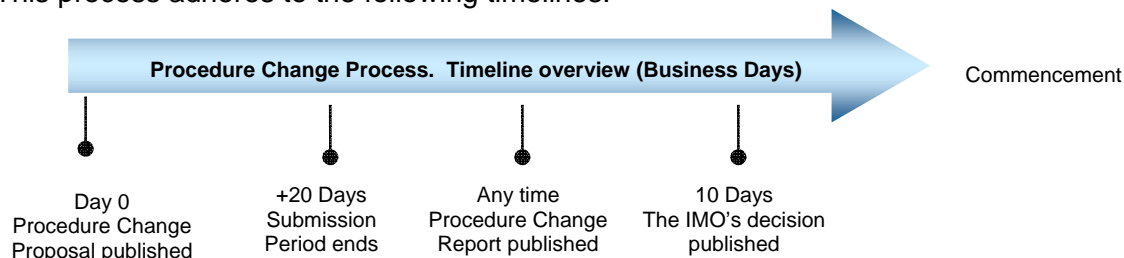
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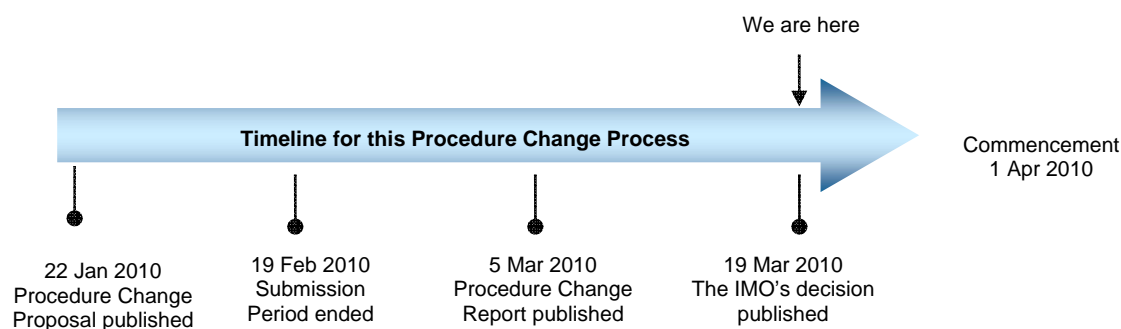
1. INTRODUCTION

On 2 January 2010, the Independent Market Operator (IMO) published a Procedure Change Proposal from System Management regarding the proposed amended Power System Operation Procedure (PSOP): Dispatch. 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, published 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 accept the PSOP as proposed by System Management. The details of the IMO's assessment are set out in section 4 of this report.

This document, containing the IMO's decision on the proposed PSOP: Dispatch (PPCL0015) is published as required by clause 2.10.15 of the Market Rules.

All documents related to this proposed PSOP can be found on the IMO website:
<http://www.imowa.com.au/PPCL0015>

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 Details of the Proposal

In its proposal, System Management noted that, during the consultation processes on the proposed amendments to the PSOP: Dispatch (PPCL0013 and PPCL0014) several issues were identified in relation to the dispute resolution mechanism which applies between System Management and the Energy Generation Corporation (Verve Energy) in its guise as the balancer.

These amendments, which were discussed with Verve Energy, principally involve ambiguity in interpretation or application of section 10.5 of the PSOP: Dispatch.

3. PUBLIC CONSULTATION PERIOD

3.1 Submissions received

The public submission period was between 22 January 2010 and 19 February 2010. During this time System Management received submissions from Alinta, Landfill Gas & Power (LGP) and Perth Energy.

3.1.1 Submission from Alinta

Alinta submitted that it is unclear whether clause 7.6A.5(b) of the Market Rules provides a head of power for System Management to develop a procedure to govern the arbitration process to be followed by the IMO. Specifically the procedures that may be developed by System Management under clause 7.6A.2(a) appear to relate only to:

1. the format and time resolution of data to be provided by Verve Energy to System Management under clause 7.6A.2(a);
2. the format and time resolution of data to be provided by System Management to Verve Energy under clause 7.6A.2(b) and (c); and
3. the information required to be provided by Verve Energy under clause 7.6A.2(d) to support System Management develop the information in clause 7.6A.2(c).

Alinta noted that the use of “agreement” in the second sentence of clause 7.6A.5(b) may be inconsistent with the intent of the first sentence of that rule, or with the general operation of clause 7.6A to which clause 7.6A.5(b) refers. As the first sentence of clause 7.6A.5(b) requires only that both System Management and Verve Energy use reasonable endeavours to address any issues arising from the ‘application’ of the procedures developed by System Management. No other part of clause 7.6A suggests that System Management must obtain Verve Energy’s agreement to either the procedures developed under clause 7.6A or the application of these procedures (assuming there was ambiguity in procedures, which appears unlikely given their scope).

Therefore, it appears that the role of the IMO under clause 7.6A.5(b) should only be to determine whether System Management and/or Verve Energy have used reasonable endeavours to address any issues arising from the application of the procedures operating under clause 7.6A.

Consequently, Alinta considers that rather than amending the Dispatch PSOP, it may be appropriate for clause 7.6A.5 (b) of the Market Rules to be amended as follows:

7.6A.5. With respect to administration and reporting:

- (a) Representatives of System Management and the Electricity Generation Corporation must meet at least once per month to review the procedures operating under this clause 7.6A. The minutes of these meetings must be recorded by System Management;
- (b) At the meetings described in (a), System Management and the Electricity Generation Corporation must use best endeavours to address any issues arising from the application of the procedures operating under this clause 7.6A. ~~Where agreement cannot be reached either party may seek arbitration by the IMO. If System Management or the Electricity Generation Corporation consider that the other has not used best endeavours to address an issue, System Management or the Electricity Generation Corporation, as applicable, may request that the IMO review whether the actions of each were reasonable.~~

...

3.1.2 Submission from Landfill Gas & Power

LGP supports the Procedure Change Proposal on the grounds that it clarifies the dispute process to be followed by System Management, Verve Energy and the IMO. Furthermore, it has agreement by System Management and Verve Energy.

3.1.3 Submission from Perth Energy

Perth Energy considers that apart from the changes relating to the extension of timeframes, the changes proposed are not material and could be considered to be clarifying changes. For example, clause 7.6A.5(b) of the Market Rules already specifically states that "...either party may seek arbitration by the IMO" in the case of any issues arising from the application of the dispatch procedures. The current Dispatch Procedure doesn't specifically mention the IMO as being the arbitrator, but when read in conjunction with the Market Rules specifically 7.6A.5(b), Perth Energy considers the intent is quite clear. However, Perth Energy welcomes the proposed clarifications to align the procedure to the Market Rules and remove any potential for doubt or confusion in interpreting the procedures.

In regards to the extension of various timeframes, Perth Energy agrees that it is sensible to allow parties sufficient time to provide considered responses and decisions in relation to the arbitration. Perth Energy noted that the wording of the procedure does not hinder parties to provide their responses and decisions earlier than mandated and trusts that the parties will act as quickly as possible where a quick resolution of a dispute is necessary for system security reasons.

Perth Energy notes that the proposed amendments would better facilitate the achievement of Market Objective (a) by clarifying the role of the IMO in the arbitration process and allowing for reasonable timeframe in conducting the arbitration. Perth Energy does not consider that the proposal impacts on the achievement of the other Market Objectives.

3.2 System Management's Response to Submissions Received

System Management's responses to the submissions received during the consultation period are as follows:

Clause	Submitter	Issue	System Management response
7.6A.5(b)	Alinta	Unclear whether clause 7.6A.5(b) provides a head of power for System Management to develop a procedure to govern the arbitration process to be followed by the IMO.	System Management considers Alinta's concerns regarding the lack of a heads of power for such an arbitration process as outside of the scope of this procedure change. The proposed changes are subject to approval by the IMO pursuant to clause 2.10.14 of the Market Rules. The changes to the arbitration mechanism are limited to mechanical or procedural changes to aid the workability of the existing (approved) arbitration process.
7.6A.5	Alinta	The use of word 'agreement' in the second sentence of clause 7.6A.5(b) may not be consistent with the intent of the first sentence of that rule, or with the general operation of clause 7.6A to which clause 7.6A.5(b) refers.	<p>System Management believes that the intent of clause 7.6A5(b) may instead be directed to the IMO intervening between the Electricity Generation Corporation and System Management to assist the parties to reach agreement (or to determine a resolution if agreement cannot be reached) in relation to any failure of the parties to agree an issue that the parties are compelled to review under clause 7.6A.5(a).</p> <p>System Management notes Alinta's suggestion to consider amendments to clause 7.6A.5 would reduce the role of the IMO in an arbitration process. The IMO would not be an arbiter of substantive issues but would instead become a reviewer of an administrative requirement that the parties use best endeavours in attempting to resolve any issues in relation to the review under clause 7.6A.5(a).</p> <p>Accordingly, System Management considers that any review of whether a party used best endeavours would not necessarily resolve any outstanding issue or disagreement between the Energy Generation Corporation and System Management in relation to the review process set out in 7.6A.5(a). At best, a decision by the IMO that either of the parties had failed to use best endeavours might imply a requirement that the parties return to the process set out in</p>

			<p>clause 7.6.A5(a).</p> <p>There may potentially be no resolution of any failure by the Energy Generation Corporation and System Management to reach agreement (even if the parties were compelled to clause 7.6A.5(a) process) as on Alinta's interpretation, there appear to be no power vested in the IMO to resolve the substantive issue or disagreement between the Energy Generation Corporation and System Management. Even if the parties were compelled to return to the review process and use best endeavours to address any issues, there would be no certainty that the issues would in fact be resolved.</p> <p>System Management noted that it has not on this occasion chosen to adopt Alinta's suggested amendments.</p>
General	Perth Energy	Welcomes the clarification proposed to the procedure to align them with the Market Rules and remove any potential for doubt or confusion of interpreting the procedure.	System Management agrees with the views expressed by Perth Energy.
General	Perth Energy	Perth Energy agrees that it is sensible to allow parties sufficient time to provide considered responses and decisions in relation to the arbitration.	System Management agrees with the views expressed by Perth Energy.

4. THE IMO'S ASSESSMENT

In determining whether to approve the PSOP: Dispatch, 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 PSOP: Dispatch details the processes System Management and Market Participants must follow in order to meet the dispatch rules contained in Chapter 7 of the Market Rules. The PSOP specifies the processes that take place each Scheduling and Trading Day to determine how generation, transmission and Demand Management Facilities will be dispatched. The PSOP also specifies the arbitration process which may be initiated following a failure of System Management and Verve Energy to reach agreement on matters provided for in clause 7.6A of the Market Rules.

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: Dispatch 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 PSOP: Dispatch is consistent, as a whole, with:

- the Market Rules,
- the Electricity Industry Act; and
- the 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 PPCL0015. 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: Dispatch will require Rule 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 April 2010 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 Power System Operation Procedures Working Group

After publishing the Procedure Change Proposal, the IMO invited all MAC members to contact the IMO if they considered the proposal to be significant enough to require discussing at MAC. No MAC member contacted the IMO in this regard and thus, neither the Market Advisory Committee nor the PSOP Working Group met regarding this Procedure Change Proposal. However, System Management did consult with Verve Energy on this procedure change proposal and agreed on the amendments.

5. THE IMO'S DECISION

The IMO's decision is to approve the amended PSOP: Dispatch 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; and
- is consistent with the Market Rules, the Electricity Industry Act and Regulations.

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: Dispatch will commence at 08.00am on 1 April 2010.

6.2 Wording of the amended Power System Operation Procedure

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