



System Management

Procedure Change Report
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System Management Contact Details
Alistair Butcher
GPO Box L921, Perth, WA 6842
08 9427 5787
alistair.butcher@westernpower.com.au

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INTRODUCTION

This document is the Procedure Change Report for the System Management proposed amendments to the Power System Operating Procedure: Dispatch.

- This proposal was first published on the IMO website on 20 August 2009.
- A request for submissions to the proposal was published on 21 August 2009 with a deadline of 17 September 2009.
- This Procedure Change Report is submitted to the IMO for publication on 29 September 2009.
- This proposed amended procedure is to commence at 8 am on 1 February 2010.
- Commencement is pending approval by the IMO. Market Rule 2.10.14 requires the IMO to make its decision within 10 Business days of this Report being published.

THE WORDING OF THE AMENDMENT TO THE POWER SYSTEM OPERATING PROCEDURE

The amended procedure is attached to this Report.

THE REASON FOR THE AMENDMENT TO THE POWER SYSTEM OPERATING PROCEDURE

The Power System Operation Procedures were originally prepared prior to the commencement of the Electricity Market. Now with several years experience in performing market functions, System Management has taken the opportunity to initiate a review process with the objective of amending the procedures to more accurately reflect System Management's performance of its functions.

In addition, the original Power System Operation Procedures included significant overlaps with the Market Rules and also attempts to paraphrase Rule requirements.

Consequently, System Management has reviewed the operation of PSOP: Dispatch and amended it to better reflect both the performance of market functions and changes to the Market Rules which have occurred since the commencement of the Market on 21 September 2006. The amendments have been subject to public consultation, consultation within the System Management Power System Operation Procedure Working Group (constituted under the auspices of the MAC) and with the Independent Market Operator.

It is the view of System Management that the amended procedure represents both a consensus outcome and a procedure which is consistent with the requirements of the Market Rules.

AMENDMENT TO THE POWER SYSTEM OPERATION PROCEDURE FOLLOWING PUBLIC CONSULTATION

System Management has incorporated several minor amendments within this Power System Operation Procedure following the conclusion of the public submission period.

System Management believes that the amendments do not have a significant impact on the substance of the Power System Operation Procedure, nor do they necessitate a further period of consultation.

SUBMISSIONS

System Management received two submissions from the IMO and Landfill Gas and Power regarding this procedure.

The IMO's submission provides the following view:

'On 20 August 2009 the Independent Market Operator (IMO) published, on behalf of System Management, a proposed amended Power System Operation Procedure (PSOP): Dispatch. In its Procedure Change Proposal System Management submitted that the changes:

- *Better reflect the performance of market functions;*
- *Better reflect changes to the Market Rules which have occurred since the commencement of the Market on 21 September 2006;*
- *Represent a consensus outcome of the System Management PSOP Working Group (Working Group) and discussions held with the IMO; and*
- *Are consistent with the Market Objectives.*

The PSOP contains a provision (section 10.5 step 8) to the effect that where there is a failure to agree on an issue, the IMO is required to make a binding decision within two Business Days of receiving comments. At the Working Group meeting held 19 June 2009 the IMO noted that it did not consider that the two Business Day timeframe in section 10.5 would be sufficient or practicable. The IMO agreed with System Management to consider an appropriate timeframe further out of session and to submit its recommendation during the public consultation process to ensure transparency.

The IMO considers that a timeframe of 10 Business Days would be more practical because:

- *the potential that either party may present further evidence when providing comments on the IMO's draft recommendation which would need to be adequately investigated by the IMO;*
- *a binding decision is, by its nature, not open to review. It is essential that adequate time is made available for proper consideration of such issues;*
- *sufficient time is required to allow for the IMO to follow its internal processes and procedures, including appropriate consultation and sign-off with senior staff members and IMO officers. Ten business Days is considered sufficient for this, taking into account the relatively small number of IMO staff members who are likely to be involved in this process, and the effect of absences and other commitments; and*
- *other similar provisions in the Market Rules, for example the Dispute Resolution Process outlines in section 2.19 of the Market Rules has no specified timeframe.*

The IMO considers that providing 10 Business Days for a binding decision to be issued will ensure that the best possible outcome can be achieved in the incidence of any disputes arising over the PSOP: Dispatch.

System Management notes the view expressed by the IMO. The IMO's suggested amendment above has been adopted accordingly.

Landfill Gas and Power's submission provides the following view. System Management's responses to each point are included below:

'LGP supports the proposal. We offer the following minor and typographical suggestions:

LGP: 8.0.2 "should endeavour" needs to be defined; either they should be required to, or should not. Perhaps SM could be required to log the issue.

SM: System Management has amended this provision to 'may'.

LGP: 8.2.1 The subject of "via SMMTS....." needs to be changed; suggest put the MR reference at the end.

SM: A market rule reference has been inserted at the end of this section.

LGP: 8.3.3 Suggest improve the sense of the first sentence; it seems to have been mangled.

SM: System Management has amended this provision as follows: 'There may be delays in transferring Market Participant files to System Management...'

LGP: 10.5 Suggest review the appropriateness of a party seeking arbitration to make a submission on behalf of the other party.

System Management believes that the Procedure confers power on both Verve Energy and System Management to provide a report of views

concerning the dispute. This will assist in shedding light on the matters in dispute and assist in resolution.

LGP: 11.2.1 Suggest delete “using a forecasting methodology” as it is self evident.

SM: This has been deleted.

LGP: 11.10. 1 and 11,10.3 Suggest consider removing the references to the Spinning Reserve quantities as they are under review and it is desirable to avoid having to change the Procedure if the MR is changed.

SM: System Management has amended this section to reflect the market rules. These sections will now read as follows:

11.10.1: ‘In preparing the SWIS Dispatch Plan, System Management must provide for a sufficient level of Spinning Reserve to cover the amount provided for in the Market Rules and 100% of the output of a generator synchronized to the SWIS which is considered to be experiencing lower levels of reliability **[MR 3.10.2]**.’

11.10.3: ‘In addition, where a generating facility is performing a trip-test, to ensure that Power System Security and Power System Reliability is maintained, System Management will maintain Spinning Reserve as provided for in the Market Rules and an additional 100% of the output of the facility undergoing a trip-test.’

LGP: 13.4 Suggest clarify the meaning of “...but it will be for the purpose of.....”

SM: System Management has removed this phrase from this section as it caused ambiguity.

LGP: 13.5 Suggest clarify the meaning of “in the event..... direction”

SM: System Management has amended this section to read as follows, ‘To the extent that System Management believes that the Dispatch Criteria in clause 7.6.1 of the Market Rules may not be met, including situations where Market Participants ramps their generation facilities in the same direction, then System Management may exercise its powers under clause 7.7.4 of the Market Rules and issue Dispatch Instructions.’

LGP: 13.8 the two criteria should be satisfied rather than be satisfied by the Generating facility itself.

SM: System Management has amended this section to read as follows:

‘For a generating facility which does not carry an obligation to provide a Spinning Reserve or Load Following ancillary service and satisfies the two following criteria:

- a. if the system frequency moves above 50.5Hz or below 49.2Hz;
and
- b. if the generator facility’s governor automatically moves the generator away from its resource plan in a manner that assists reducing the frequency deviation,

then System Management will deem the abovementioned movement to be a Dispatch Instruction and will formally issue a Dispatch Instruction to the facility corresponding to System Management's estimate of the generator facilities Metered Schedule Quantity.'

LGP: 13.10.3 Suggest review the reasonableness of this; does it say that SM is not responsible for its mistakes in this regard?

SM: Yes this is correct. System Management will not remotely operate a facility where doing so would expose System Management to liability.

LGP also supports the IMO's proposed extension of the "2 days" in 10.5 Step 8 to 10 days as being more practicable.'

SM: This proposed extension has been adopted.

THE MARKET ADVISORY COMMITTEE

The Market Advisory Committee (MAC) did not meet regarding this procedure change proposal.

However, the System Management Procedure Change Working Group did discuss the procedure change and made recommendations on 19 June 2009. All recommendations made by the Working Group were adopted.

IMPLEMENTATION

System Management recommends this amended procedure commence at 8 am 1 February 2010.

The above date, in System Management's opinion, allows sufficient time after the date of publication of the IMO's approval of the Procedure Change Proposal under clause 2.10.14, for Rule Participants to implement changes required by this Proposal.

Commencement is pending approval by the IMO. Market Rule 2.10.14 requires the IMO to make its decision within 10 Business days of this Report being published. This decision will include the final commencement date.