

WA Independent Market Operator

Compliance of System Management's procedures and business processes with the Market Rules and System Management's compliance with the Market Rules and Market Procedures

30 September 2010

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EXECUTIVE SUMMARY

This report sets out the results of the market audit by PA Consulting Group in carrying out its assessment of the compliance of System Management's internal procedures and business processes with the Market Rules, and System Management's compliance with the Market Rules and Market Procedures.

This market audit has been carried out under Market Rule 2.14.6 (b) which requires that:

In accordance with the Monitoring Protocol, the IMO must at least annually, and may more frequently where it reasonably considers that System Management may not be complying with the Market Rules and Market Procedures:

- (a) require System Management to demonstrate compliance with the Market Rules and Market Procedures by providing such records as are required to be kept under these Market Rules or any Market Procedure; or*
- (b) subject System Management to an audit by the Market Auditor to verify compliance with the Market Rules and Market Procedures.*

On the basis of the evidence available to us, PA has found that, with one exception, System Management has complied with its obligations under the Market Rules. The one area of non-compliance is subject to a Rule change due to take effect on 1 December 2010.

Our findings are qualified by the following caveats. First, we are aware that there are some potential areas of non-compliance relating to System Management's activities during the last year that are still to be investigated. At the time of writing, we have insufficient basis for determining the outcome of these investigations one way or the other.

Second, we are conscious that the Market Rules, Power System Operating Procedures, and System Management's Internal Procedures are continually changing, as Rule Changes are put in place or improved operating practices become codified. In particular, it typically takes some time for Rule Changes to be cascaded down through the Power System Operating Procedures and ultimately the Internal Procedures. System Management's procedures are no exception in this regard.

Finally, we were somewhat surprised to find that there were no new entries in the compliance log recorded since the time of the last year; in the normal course of events, we would expect to find at least some instances of non-compliance during any 12 month period. To an extent this is likely to reflect a maturing and bedding-in of the electricity market generally and System Management's operations in particular. However, in our view, it would be prudent for System Management, in addition to its current practices, to monitor and document operational practices for potential breaches in order to provide an increased level of precision and rigour.

TABLE OF CONTENTS

Executive Summary	i
1. Introduction	1-1
1.1 Scope of the market audit	1-1
1.2 Market audit process	1-1
1.3 Structure of this report	1-3
1.4 Acknowledgements	1-3
2. Status of the Power System Operating Procedures	2-1
2.1 Recent developments	2-1
3. Market Rule Chapter 1 – Introduction	3-1
3.1 Amendments to Chapter 1 of the Market Rules	3-1
3.2 Documentation	3-1
3.3 Compliance with Chapter 1	3-1
3.4 Opinion	3-1
4. Market Rule Chapter 2 – Administration	4-1
4.1 Amendments to Chapter 2 of the Market Rules	4-1
4.2 Documentation	4-1
4.3 Compliance with Chapter 2	4-2
4.4 Opinion	4-2
5. Market Rule Chapter 3 – Power system security and reliability	5-1
5.1 Amendments to Chapter 3	5-1
5.2 Documentation	5-2
5.3 Compliance with Chapter 3	5-3
5.4 Opinion	5-3
6. Market Rule Chapter 4 – Reserve capacity	6-1
6.1 Amendments to Chapter 4	6-1
6.2 Documentation	6-2
6.3 Compliance with Chapter 4	6-3
6.4 Opinion	6-3
7. Market Rule Chapter 5 – Network control service procurement	7-1
7.1 Amendments to Chapter 5	7-1
7.2 Documentation	7-1
7.3 Compliance with Chapter 5	7-1
7.4 Opinion	7-1
8. Market Rule Chapter 6 – Energy market	8-1
8.1 Amendments to Chapter 6	8-1

8.2	Documentation	8-1
8.3	Compliance with Chapter 6	8-1
8.4	Opinion	8-1
9.	Market Rule Chapter 7 – Dispatch	9-1
9.1	Amendments to Chapter 7	9-1
9.2	Documentation	9-1
9.3	Compliance with Chapter 7	9-2
9.4	Opinion	9-2
10.	Market Rule Chapter 8 – Wholesale market metering	10-1
10.1	Opinion	10-1
11.	Market Rule Chapter 9 – Settlement	11-1
11.1	Amendments to Chapter 9	11-1
11.2	Documentation	11-1
11.3	Compliance with Chapter 9	11-1
11.4	Opinion	11-2
12.	Market Rule Chapter 10 – Market information	12-1
12.1	Amendments to Chapter 10	12-1
12.2	Documentation	12-1
12.3	Compliance with Chapter 10	12-1
12.4	Opinion	12-1

Appendices

APPENDIX A: Status of issues identified in last year's annual audit A-1

1. INTRODUCTION

This document sets out the results of the market audit by PA Consulting Group in carrying out its assessment of the compliance of System Management's Internal Procedures and business processes with the Market Rules, and of System Management's compliance with those Market Rules and Market Procedures.

1.1 SCOPE OF THE MARKET AUDIT

This market audit has been carried out under Market Rule 2.14.6, which requires that:

2.14.6. In accordance with the Monitoring Protocol, the IMO must at least annually, and may more frequently where it reasonably considers that System Management may not be complying with the Market Rules and Market Procedures:

- (a) require System Management to demonstrate compliance with the Market Rules and Market Procedures by providing such records as are required to be kept under these Market Rules or any Market Procedure; or*
- (b) subject System Management to an audit by the Market Auditor to verify compliance with the Market Rules and Market Procedures.*

1.2 MARKET AUDIT PROCESS

This year's market audit of System Management has taken the form of an "incremental" audit.

We have looked in detail at the clauses in the Market Rules and System Management's Power System Operation Procedures and its Internal Procedures where:

- The clauses in the Market Rules are new or amended since last year's annual audit;
- The Power System Operation Procedures and Internal Procedures are new or updated since last year's annual audit;
- The Internal Procedures related to areas of non-compliance which were identified in last year's annual audit; and
- The Internal Procedures related to areas of alleged breaches of the Market Rules by System Management since last year's annual audit.

That is, we have looked in particular at areas that have changed (or should have changed) since last year's annual audit.

In conducting the market audit on the compliance of System Management with the Market Rules, PA has:

1. Ensured that it is up to date with its understanding of the West Australia Electricity Market Rules;

2. Identified new or amended obligations placed on System Management by amendments to the Market Rules that have come into force since the previous market audit dated 1 September 2009;
3. Mapped those obligations identified in step 2 to the applicable Internal Procedures;
4. Identified System Management Internal Procedures that are new or have been updated since the previous market audit dated 1 September 2009;
5. Identified System Management Internal Procedures that relate to areas of non-compliance identified in the previous market audit dated 1 September 2009;
6. Reviewed the System Management procedures identified in steps 3, 4 and 5 for compliance with the Market Rules;
7. Sought evidence that System Management is following those procedures so as to comply with the Market Rules;
8. Had discussions with System Management managers and staff to clarify issues identified; and then
9. Prepared a draft report setting out our findings followed by a final report.

There are limitations to any external audit. Audits are not an absolute guarantee of the truth or reliability of agency information or the effectiveness of internal controls. They may not identify all matters of significance. This is because external audit techniques involve:

- Professional judgement as to “good industry and market operating practice”;
- The use of sample testing;
- An assessment of the effectiveness of internal control structures; and
- An assessment of risk.

A market audit does not guarantee every procedure and action carried out in the operation of the electricity market complies with the Market Rules, nor does it examine all evidence and every transaction. However, our audit procedures should identify errors or omissions sufficiently significant to adversely affect the decisions of users of the market audit report.

We also note that there is a high degree of compliance monitoring built into the market design. Should System Management not carry out a requirement of the Market Rules, those cases that are material will have affected either the IMO or market participants and will have been raised by affected parties.

Where non-compliant procedures or actions are identified, these are classified as being:

- *Material* in that they may affect decisions made by market participants, affect the outcome of the market or otherwise affect the financial position of one or more rule participants; or
- *Non-material*, in that
 - they do not comply with the wording or the Market Rules but do comply with the intention of the Market Rules, or

- they do not comply with the Market Rules but they are not likely to affect decisions made by market participants or otherwise affect the outcome of the market.

1.3 STRUCTURE OF THIS REPORT

This report is structured around the various chapters of the Market Rules. The chapters of this report summarise the incremental changes to the Market Rules that have occurred since the time of the last audit, the changes to System Management's Internal Procedures that are relevant to that chapter of the Market Rules and any recorded instances of non-compliance.

The report begins with an overview of recent developments made to the Power System Operating Procedures and the consequential actions taken with respect to System Management's Internal Procedures.

Appendix A contains a summary table which updates the status of the issues raised in last year's audit report.

1.4 ACKNOWLEDGEMENTS

PA would like to thank the managers and staff of System Management who willingly provided information and shared in discussions with us while we carried out this market audit.

2. STATUS OF THE POWER SYSTEM OPERATING PROCEDURES

The Power System Operation Procedures continue to be refined and updated in line with developments in the Market Rules and opportunities identified for improvement/refinement generally.

2.1 RECENT DEVELOPMENTS

Key developments since the last audit are summarised in the table below. Some of the changes are in draft form still to be implemented, or are marked for further amendment.

Table 1: Development of the Power System Operating Procedures

Name	Summary of change	Consequential changes to Internal Processes
Operational Data Points for Non-Western Power Networks and Substations	<ul style="list-style-type: none"> New PSOP created and effective 1/8/2009 	Implemented
Ancillary services	<ul style="list-style-type: none"> No change 	Not applicable
Cleansing of Generation Facility MWh Data	<ul style="list-style-type: none"> New PSOP created and effective 1/11/2009 	Implemented
Commissioning and Testing	<ul style="list-style-type: none"> New PSOP created and effective 1/9/2009 Further amendments to this PSOP are required to reflect RC_2009_08 - Updates to commissioning provisions effective 1 June 2010. 	Implemented
Dispatch	<ul style="list-style-type: none"> New PSOP created and effective 1/4/2010 Further amendments to the Dispatch PSOP have been drafted to allow System Management discretion to not require any Facility with capacity less than or equal to 30MW with a non-zero resource plan to provide a daily dispatch profile. This discretion reflects the fact that any deviation of 30MW by any facility at any point during the Trading interval is, not on its own, considered an impost on Power System Security or Power System Reliability. System Management currently uses a 30MW instantaneous real-time Tolerance Range. 	Implemented
Facility Outages	<ul style="list-style-type: none"> Amended to reflect rule change RC_2009_08 - confidentiality of accepted outages. Further amendments are planned to Section 8.4 to reflect Market Rules [3.18.5D] whereby System Management may disclose information from the Outage Schedule to a Network Operator to coordinate outages. 	Implemented
Medium Term Projected Assessment of System Adequacy (MT PASA)	<ul style="list-style-type: none"> No change 	Not applicable
Monitoring and Reporting Protocol	<ul style="list-style-type: none"> New PSOP created and effective 1/10/2009 Further amendments are proposed to this PSOP to reflect rule change RC_2009_22 due to come into 	Implemented

Name	Summary of change	Consequential changes to Internal Processes
	effect in November 2010. The rule change (clause 2.13.6K) 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 clause 3.21 of the Market Rules in the Power System Operation Procedure.	
Operational Data Points for Generation Plant	<ul style="list-style-type: none"> New PSOP created and effective 1/8/2009 	Implemented
Power System Security	<ul style="list-style-type: none"> No change 	Not applicable
Short Term Projected Assessment of System Adequacy (ST PASA)	<ul style="list-style-type: none"> No change 	Not applicable
System Restart Overview	<ul style="list-style-type: none"> No change 	Not applicable
Communication and Control Systems	<ul style="list-style-type: none"> New PSOP created and effective 1/9/2009 	Implemented

3. MARKET RULE CHAPTER 1 – INTRODUCTION

Market Rule Chapter 1 sets out the Introduction to the Market Rules such as the objectives of the market, glossary and role of System Management.

3.1 AMENDMENTS TO CHAPTER 1 OF THE MARKET RULES

There have been no amendments to Chapter 1 of the Market Rules since the time of the last audit.

3.2 DOCUMENTATION

There are neither Power System Operation Procedures nor Internal Procedures relevant to Chapter 1 of the Market Rules.

3.3 COMPLIANCE WITH CHAPTER 1

The obligations placed on System Management under Chapter 1 of the Market Rules relate to transitional matters or matters that expired at the Energy Market Commencement.

3.4 OPINION

System Management has no current obligations under Chapter 1 of the Market Rules.

4. MARKET RULE CHAPTER 2 – ADMINISTRATION

Chapter 2 of the Market Rules sets out the Functions and Governance Rules which affect both the Market Development and Market Operations functions of System Management.

4.1 AMENDMENTS TO CHAPTER 2 OF THE MARKET RULES

The amendments to Chapter 2 are as follows:

- 2.16.9F, 2.16.9FA (new) and 2.16.9FB (new)
- 2.10.4 and 2.10.11
- 2.23.1, 2.23.2, 2.23.3, 2.23.5, 2.23.7, 2.23.12
- 2.1.2, 2.5.7, 2.5.14, 2.5.15, 2.7.6, 2.7.8, 2.8.9, 2.13.10, 2.14.1, 2.14.3, 2.16.2, 2.28.16B, 2.29.9, 2.30.5, 2.30B.3, 2.30B.5, 2.30B.9, 2.30B.11, 2.30C.1, 2.31
- 2.3.1, 2.3.1A(new), 2.3.2, 2.3.5, 2.3.10, 2.3.14, 2.3.15, 2.3.17, 2.7.4, 2.7.5, 2.7.7, 2.10.8, 2.10.9, 2.10.13 and the Glossary.

4.1.1 Clauses 2.16.9F, 2.16.9FA (new) and 2.16.9FB (new)

This clause relates to the removal of ERA Time Limit to Publish Investigation Results

4.1.2 Clauses 2.10.4 and 2.10.11

These clauses relate to market procedure change process timelines for changes implemented by System Management

4.1.3 Clauses 2.23.1, 2.23.2, 2.23.3, 2.23.5, 2.23.7, 2.23.12

These clauses (along with associated clauses in Chapter 3) relate to System Management Review Period Budget Coverage Amendment

4.1.4 Clauses 2.1.2, 2.5.7, 2.5.14, 2.5.15, 2.7.6, 2.7.8, 2.8.9, 2.13.10, 2.14.1, 2.14.3, 2.16.2, 2.28.16B, 2.29.9, 2.30.5, 2.30B.3, 2.30B.5, 2.30B.9, 2.30B.11, 2.30C.1, 2.31

These clauses correct minor and typographical errors

4.1.5 Clauses 2.3.1, 2.3.1A(new), 2.3.2, 2.3.5, 2.3.10, 2.3.14, 2.3.15, 2.3.17, 2.7.4, 2.7.5, 2.7.7, 2.10.8, 2.10.9, 2.10.13 and the Glossary

These clauses reflect changes to the Market Advisory Committee Constitution and Operating Practices

4.2 DOCUMENTATION

The following Internal Processes were updated since the time of the last audit.

Table 2: Changes to Internal Processes related to Chapter 2 of the Market Rules

Rule Section	Process name	Summary of change
2.5 Rule Change Proposals	Creating Rule Change Proposals	Updated Process 12 relating to process for submission to IMO.
2.5 Rule Change Proposals	Identifying Broad Procedure Changes Required from Rule Changes	Amendment to reflect the reduced requirement to complete log DM:3619738 in particular circumstances. Instead DM: 5016250 will be used.
2.5 Rule Change Proposals	Identifying Internal Process Changes Required from Rule, Procedure and Policy changes	Amendment to reflect the reduced requirement to complete log DM:3619738 in particular circumstances. Instead DM: 5016250 will be used.
2.10 Procedure Change Process	Creating Procedure Change Proposals	Amended to reflect rule change RC_2009_24.
2.14 Audit	System Management's response to an alleged breach from the IMO of the Market Rules	Created new process.

4.3 COMPLIANCE WITH CHAPTER 2

PA has reviewed the incremental development of the Power System Operating Procedures and Internal Procedures related to Chapter 2 of the Market Rules, and found them to be in compliance with the Market Rules. We have examined the records for instances of non-compliance and found none.

4.4 OPINION

System Management has complied with its obligations under Chapter 2 of the Market Rules.

5. MARKET RULE CHAPTER 3 – POWER SYSTEM SECURITY AND RELIABILITY

Market Rule Chapter 3 of the Market Rules sets out the Power System Security and Reliability Rules which affect the Market Development, Market Operations, System Planning and System Operations functions of System Management.

5.1 AMENDMENTS TO CHAPTER 3

The following clauses have been amended since last year's annual audit:

- 3.18.4 and 3.18.5D (new)
- 3.11.15 (new)
- 3.19.2(a)
- 3.11.11, 3.11.14, 3.13.1, 3.13.3, 3.13.3A (new), 3.13.3B (new), 3.13.3C (new) and 3.22.1
- 3.10.2(a)(i), 3.18.11A(a), 3.18.11A(b), 3.18.11(aA), 3.19.6(a)
- 3.9.1
- 3.21A.2, 3.21A.3, 3.21A.4, 3.21A.7,
- 3.13.3A.

5.1.1 Clauses 3.18.4 and 3.18.5D

These clauses relate to the obligations of System Management in terms of the confidentiality of accepted outages.

5.1.2 Clause 3.11.15 (new)

This clause is one of a series of rule amendments relating to System Management's obligations to document in a Power System Operation Procedure procedures relating to ancillary services.

5.1.3 Clause 3.19.2(a)

This clause relates to System Management's Opportunistic Maintenance outage approval timeframe.

5.1.4 Clauses 3.11.11, 3.11.14, 3.13.1, 3.13.3, 3.13.3A (new), 3.13.3B (new), 3.13.3C (new) and 3.22.1

These clauses relate to System Management Review Period Budget Coverage Amendment. It includes a number of obligations on the part of the Economic Regulatory Authority.

5.1.5 Clauses 3.10.2(a)(i), 3.18.11A(a), 3.18.11A(b), 3.18.11(aA), 3.19.6(a)

These clauses correct minor and typographical errors.

5.1.6 Clause 3.9.1

This amendment relates to Provision of Load Following Ancillary Service.

5.1.7 Clause 3.21A.2, 3.21A.3, 3.21A.4, 3.21A.7,

These amendments update commissioning provisions.

5.1.8 Clause 3.13.3A

This clause relates to the Annual Review of Margin Values.

5.2 DOCUMENTATION

The following Internal Processes were updated since the time of the last audit.

Table 3: Changes to Internal Processes related to Chapter 3 of the Market Rules

Rule Section	Process name	Summary of change
3.19 Outage Approval	How to create the 3.19 report to IMO	Amendments include process changes and changed templates
3.18 Outage Scheduling	How to coordinate outages between generation and transmission.	Amended to reflect the current processes undertaken by the System Operation Planning Division Sections affected include: Outage co-ordination Transmission outage that would shut down a generator Transmission outage that would impact or may impact a generator Large customer load Preamble Restriction to generation or out of merit generation
3.19 Outage Approval	How to approve or reject a generation outage.	Amendments made with respect to the following <ul style="list-style-type: none"> • Timing relating to a Day Ahead Opportunistic Maintenance request from 10am on the day before the Scheduling Day to 10am on the Scheduling day. • Explanation of what is considered a valid Day Ahead Opportunistic Maintenance outage
3.21A Commissioning Tests	Commissioning Tests for SOCC	Amended to reflect rule change RC_2009_08 – Updates to commissioning provisions and current processes undertaken by SOCC Redrafted to reflect SOCC responsibilities on the Trading Day in relation to allowing/disallowing a Commissioning Test to proceed (with sufficient notification), and Market Participant responsibilities to inform SOCC when a Commissioning Test will no longer proceed. A pre-condition has been noted stating that this procedure only operates following formal approval of the Commissioning Test Plan by a System Operations Planning Engineer. This information must then be made available to SOCC at least two days prior to the date of the Commissioning Test.

5.3 COMPLIANCE WITH CHAPTER 3

PA has reviewed the incremental development of the Power System Operating Procedures and Internal Procedures related to Chapter 3 of the Market Rules, and found them to be in line with the Market Rules.

In the past we have noted that System Management applies a 10 MW tolerance when reporting outages. System Management continue to apply this tolerance and so might be deemed not to comply with 3.21.4. However, we note that a rule change due to come into effect in December 2010 along with proposed amendments to the PSOP will bring the Rules and SM operating practice in line.

Other than the above non-compliance, no other non-compliances have been noted.

5.4 OPINION

Other than the tolerance issue referred to above, System Management has complied with its obligations under Chapter 3 of the Market Rules.

6. MARKET RULE CHAPTER 4 – RESERVE CAPACITY

Chapter 4 of the Market Rules sets out the Reserve Capacity Rules which affect the Market Development and System Operations functions of System Management.

6.1 AMENDMENTS TO CHAPTER 4

The following clauses have been amended since last year's annual audit:

- 4.14.11 (new)
- 4.26.1, 4.26.1C (new), 4.26.2, 4.26.2D (new), 4.26.2E (new), 4.26.3 and 4.26.3A (new)
- 4.26.1
- 4.26.2D
- 4.2.7, 4.14.6 (and Appendix 3)
- 4.27.2
- 4.1.26 and 4.11.1
- 4.10.1(e), 4.11.1(a), , 4.12.6(b)
- 4.1.1A, 4.5.2, 4.9.3, 4.11.1, 4.12.6, 4.15.1, 4.15.2, 4.28C.1 (new), 4.28C.2 (new), 4.28C.3 (new), 4.28C.4 (new), 4.28C.5 (new), 4.28C.6 (new), 4.28C.7 (new), 4.28C.8 (new), 4.28C.9 (new), 4.28C.10 (new), 4.28C.11 (new), 4.28C.12 (new), 4.28C.13 (new), 4.28C.14 (new),4 and 4.28C.15(new) and the Glossary of the Market Rules and Appendix 3
- 4.26.2, 4.26.2E. 4.26.3 and 4.26.2F(new)
- 4.1.26, 4.12.6, 4.26.1A,
- 4.1.2, 4.1.27, 4.13.5(a), 4.13.8(c), 4.13.10(c), 4.13.11, 4.23A.3(c), 4.24.1, 4.25.3A, 4.25.4(b), 4.25.4B, 4.25.4F, 4.25.8(b), 4.25.9, 4.25.12, 4.26.2C(d), 4.27.5, 4.27.6, 4.27.7, 4.27.8, 4.27.9, 4.27.10A, 4.27.11, 4.27.11A, 4.27.11D, 4.28C.2, 4.28C.4, 4.28C.7, 4.28C.8, 4.28C.9 and 4.28C.12

6.1.1 Clause 4.14.11 (new)

This clause is one of a series of rule amendments relating to heads of power for market procedures.

6.1.2 Clauses 4.26.1, 4.26.1C (new), 4.26.2, 4.26.2D (new), 4.26.2E (new), 4.26.3 and 4.26.3A (new)

This clause relates to demand side management operational issues.

6.1.3 Clause 4.26.1

This clause relates to the Reserve Capacity Refund Price Calculation.

6.1.4 Clause 4.26.2D

This clause relates to Determination of Capacity Shortfalls for Curtailable Load.

6.1.5 Clauses 4.2.7, 4.14.6 (and Appendix 3)

These clauses relate to “Under Construction” for the Reserve Capacity Mechanism.

6.1.6 Clause 4.27.2

This clause relates to Reserve Capacity Performance Monitoring.

6.1.7 Clause 4.1.26 and 4.11.1

These clauses relate to Changing the Window of Entry into the Reserve Capacity Mechanism.

6.1.8 Clauses 4.10.1(e), 4.11.1(a), 4.12.6(b)

These clauses correct minor and typographical errors.

6.1.9 Clauses 4.1.1A, 4.5.2, 4.9.3, 4.11.1, 4.12.6, 4.15.1, 4.15.2, 4.28C.1 (new), 4.28C.2 (new), 4.28C.3 (new), 4.28C.4 (new), 4.28C.5 (new), 4.28C.6 (new), 4.28C.7 (new), 4.28C.8 (new), 4.28C.9 (new), 4.28C.10 (new), 4.28C.11 (new), 4.28C.12 (new), 4.28C.13 (new), 4.28C.14 (new),4 and 4.28C.15(new) and the Glossary of the Market Rules and Appendix 3

These clauses relate to Early Certified Reserve Capacity.

6.1.10 Clauses 4.26.2, 4.26.2E. 4.26.3 and 4.26.2F(new)

These clauses relate to calculation of Net STEM Shortfall.

6.1.11 Clauses 4.1.26, 4.12.6, 4.26.1A

These amendments update commissioning provisions.

6.1.12 Clauses 4.1.2, 4.1.27, 4.13.5(a), 4.13.8(c), 4.13.10(c), 4.13.11, 4.23A.3(c), 4.24.1, 4.25.3A, 4.25.4(b), 4.25.4B, 4.25.4F, 4.25.8(b), 4.25.9, 4.25.12, 4.26.2C(d), 4.27.5, 4.27.6, 4.27.7, 4.27.8, 4.27.9, 4.27.10A, 4.27.11, 4.27.11A, 4.27.11D, 4.28C.2, 4.28C.4, 4.28C.7, 4.28C.8, 4.28C.9 and 4.28C.12

These amendments correct minor, typographical and manifest errors.

6.2 DOCUMENTATION

The following internal processes were updated since the time of the last audit.

Table 4: Changes to Internal Processes related to Chapter 4 of the Market Rules

Rule Section	Process name	Summary of change
5.7.4 Network Service Contract	Procedure for calling on Network Service Contracts	New internal procedure

6.3 COMPLIANCE WITH CHAPTER 4

PA has reviewed the incremental development of the Power System Operating Procedures and Internal Procedures related to Chapter 4 of the Market Rules, and found them to be in line with the Market Rules. No instances of non-compliance have been found.

6.4 OPINION

System Management has complied with its obligations under Chapter 4 of the Market Rules.

7. MARKET RULE CHAPTER 5 – NETWORK CONTROL SERVICE PROCUREMENT

Chapter 5 of the Market Rules sets out the Network Control Service Procurement Rules which affect the Market Development, Market Operations, System Planning and System Operations functions of System Management.

7.1 AMENDMENTS TO CHAPTER 5

There have been no amendments to Chapter 5 which affect System Management's obligations under that chapter.

7.2 DOCUMENTATION

The following internal processes were updated since the time of the last audit.

Table 5: Changes to Internal Processes related to Chapter 5 of the Market Rules

Rule Section	Process name	Summary of change
5.7.4 Procedure for calling Network Service Contract	Calling on Registered Facilities under a network control services contract	<p>Amendments include new process items relating to the data that must be provided by the Network Operator encompassing:</p> <ul style="list-style-type: none"> the section of network the nominated Generating Facility is required to support; the security standards to be maintained within that network section through operation of the contracted service; the Security Limits applicable to the section of Network; the operating regime that will apply to the Generating Facility providing the service; and any additional information relevant to dispatching the Generation Facility, including possible additional SCADA data.

7.3 COMPLIANCE WITH CHAPTER 5

System Management has an Internal Procedure covering the process it will follow when calling on Registered Facilities under a Network Control Services Contract. This, coupled with the Power System Operational Procedure: Dispatch, constitutes compliance with clause 5.7.4.

7.4 OPINION

System Management has complied with Chapter 5 of the Market Rules.

8. MARKET RULE CHAPTER 6 – ENERGY MARKET

Market Rule Chapter 6 sets out the Energy Market Rules which affect both the Market Development, Market Operations, System Planning and System Operations functions of System Management.

8.1 AMENDMENTS TO CHAPTER 6

The following clauses have been amended since last year's annual audit:

- 6.3A.2, 6.5.1(b)
- 6.20.2, 6.20.7, 6.20.9, 6.20.10 and new clause 6.20.9A

8.1.1 Clauses 6.3A.2, 6.5.1(b)

These amendments correct minor and typographical errors.

8.1.2 Clauses 6.20.2, 6.20.7, 6.20.9, 6.20.10 and new clause 6.20.9A

These amendments make changes to Energy Price Limits Methodology and Consultation Process.

8.2 DOCUMENTATION

There have been no new or amended Procedures relating to System Management's obligations under Chapter 6 of the Market Rules.

8.3 COMPLIANCE WITH CHAPTER 6

The requirements on System Management consist of providing the IMO with data and requiring System Management to comply with directions issued by the IMO as a part of a Market Advisory.

We have not been able to find any evidence of non-compliance with Chapter 6 of the Market Rules.

8.4 OPINION

System Management has complied with its obligations under Chapter 6 of the Market Rules.

9. MARKET RULE CHAPTER 7 – DISPATCH

Market Rule Chapter 7 of the Market Rules sets out the Dispatch Rules which affect the Market Development, Market Operations, System Planning and System Operations functions of System Management.

9.1 AMENDMENTS TO CHAPTER 7

The following clauses have been amended since last year’s annual audit:

- 7.13.3 (new)
- 7.9.4, and the Glossary.

9.1.1 Clauses 7.13.3

This clause is one of a series of rule amendments relating to heads of power for market procedures.

9.1.2 Clauses 7.9.4, and the Glossary

These amendments update commissioning provisions.

9.2 DOCUMENTATION

The following internal processes were updated since the time of the last audit.

Table 6: Changes to Internal Processes related to Chapter 7 of the Market Rules

Rule Section	Process name	Summary of change
7.6A Scheduling & Dispatch of the Electricity Generation Corp	EGC Monthly Meeting	Amendment includes the Terms of reference and Agenda template details.
7.7 Dispatch Instructions	How to determine whether confirmation of Dispatch Instructions has been received.	Includes updated contact details.
7.10 Compliance with Resource Plans and Dispatch Instructions	How to monitor compliance with Resource Plans (After the Event)	Updated to reflect contact details and process review.
7.12 Status Reports	How to create the 7.12 Status Report	Amendments include the following: <ul style="list-style-type: none"> • Inclusions: process with respect to what action was taken in response to any High Risk or Emergency Operating State.’ • Deletions: Process with respect o energy forecasts by intermittent generators. • Modifications: Sections modified to reflect removal of the requirement to create a ‘public’ and ‘non public’ version of the Status Report due to removal of the requirement to include energy forecasts by intermittent generators.

Rule Section	Process name	Summary of change
7.13 Dispatch Advisory List	Review of Dispatch Advisory List	Amended emails contacts and updated Dispatch Advisory List
7.9 Commitment	How to confirm synchronisation of Verve facilities	
	How to confirm synchronisation/de-synchronisation of IPP facilities	Amended to reflect rule change RC_2009_08 – Updates to commissioning provisions and current processes undertaken by SOCC The process now takes account of RC_2009_08 whereby a SSOC will not allow synchronisation or de-synchronisation to take place where a facility is undergoing an approved commissioning test (formally approved by a System Operations Planning Engineer). Responsibilities or internal processes pertaining only to de-synchronisation of IPP facilities have been included in this process (taken from the superseded de-synchronisation of IPP generating units internal process DM#3131420).
	How to confirm de-synchronisation of IPP facilities	Superseded - This process has been amalgamated with DM 5016250.

9.3 COMPLIANCE WITH CHAPTER 7

PA has reviewed the incremental development of the Power System Operating Procedures and Internal Procedures related to Chapter 7 of the Market Rules, and found them to be in line with the Market Rules.

In the past we have noted that System Management applies a 10 MW tolerance when reporting deviations from participants' resource plans. System Management continue to apply this tolerance and to that extent may be deemed not to comply with 7.10.1.

However, we note that the use of an outage tolerance is the subject of a Rule Change due to come into effect in December 2010.

9.4 OPINION

Except for the use of a 10 MW tolerance when reporting resource plan deviations, System Management has complied with its obligations under Chapter 7 of the Market Rules.

10. MARKET RULE CHAPTER 8 – WHOLESALE MARKET METERING

Market Rule Chapter 8 sets out the Wholesale Market Metering Rules. These rules do not apply to System Management.

10.1 OPINION

System Management is not required to comply with Chapter 8 of the Market Rules.

11. MARKET RULE CHAPTER 9 – SETTLEMENT

Chapter 9 of the Market Rules sets out the Settlement Rules which affect the Market Development, Market Operations, System Planning and System Operations functions of System Management.

11.1 AMENDMENTS TO CHAPTER 9

The following clauses have been amended since last year's annual audit:

- 9.3.4, 9.16.2, 9.9.1, 9.23.4(b), 9.24.1, 9.24.2
- 9.9.2

11.1.1 Clauses 9.3.4, 9.16.2, 9.9.1, 9.23.4(b), 9.24.1, 9.24.2

These clauses correct minor and typographical errors.

11.1.2 Clause 9.9.2

These clauses relate to the Treatment of Negative MCAP on the Settlement of Ancillary Services.

11.2 DOCUMENTATION

The following internal processes were updated since the time of the last audit.

Table 7: Changes to Internal Processes related to Chapter 9 of the Market Rules

Rule Section	Process name	Summary of change
9.22 Invoicing and Payment	How to receive and pay settlement invoices	<p>Amendments include the following:</p> <ul style="list-style-type: none"> • Timing: Adjustments pertaining to 1 July 2010 and beyond are notified once per month (and are to be collected at the same time from Austraclear)... Website reference has changed • Process: New section added to the effect that 'System Management must advise Treasury via email of adjustments (3 adjustments per month) pertaining to the month of 1 July 2010 and beyond to be paid/collected as a net (combined) amount in Austraclear. A notification to 'please arrange collection/payment of invoice adjustments 1,2 and 3 for the month [x] to be made as a net (combined) amount in Austraclear.' • Deletions: Section 10.

11.3 COMPLIANCE WITH CHAPTER 9

PA has reviewed the incremental development of the Power System Operating Procedures and Internal Procedures related to Chapter 9 of the Market Rules, and found them to be in line with the Market Rules. No instances of non-compliance have been found.

11.4 OPINION

System Management has complied with its obligations under Chapter 9 of the Market Rules.

12. MARKET RULE CHAPTER 10 – MARKET INFORMATION

Market Rule Chapter 10 sets out the Market Information Rules affect the Market Development, Market Operations, System Planning and System Operations functions of System Management.

12.1 AMENDMENTS TO CHAPTER 10

The following clauses which relate to the IMO's obligations have been amended since last year's annual audit:

- 10.2.7 (new)
- 10.5.1

12.1.1 Clauses 10.2.7

This is a series of rule amendments relating to heads of power for market procedures.

12.1.2 Clauses 10.5.1

Amendments to this clause relate to the transparency of capacity credit allocation and the correction of minor and typographical errors.

12.2 DOCUMENTATION

There have been no new or amended Power System Operation Procedures relevant to Chapter 10 of the Market Rules since last year's market audit.

12.3 COMPLIANCE WITH CHAPTER 10

PA has reviewed the incremental development of the Power System Operating Procedures and Internal Procedures related to Chapter 10 of the Market Rules, and found them to be in line with the Market Rules. No instances of non-compliance have been found.

12.4 OPINION

System Management has complied with its obligations under Chapter 10 of the Market Rules.

APPENDIX A: STATUS OF ISSUES IDENTIFIED IN LAST YEAR'S ANNUAL AUDIT

Below we present a table updating the status of the issues outstanding from previous annual audits. As in previous years the issues are given one of three statuses:

- **Clause amended** – the clause mentioned (or, in some cases, the clause which gives rise to the obligations under the clause mentioned) has been amended or deleted such that there is no longer an issue of non-compliance by System Management.
- **Procedure updated** – System Management has updated their procedures so that they are now in compliance with the Market Rules
- **Issue outstanding** – the issue identified in last year’s annual audit remains. Further discussion on the issue can be found in the corresponding chapter in the main body of this audit report.

Table 8: Status of outstanding issues

Clause	Brief description	Status
3.21.4	<p>Facilities on the List of Equipment must notify System Management of forced outages. System Management must monitor compliance with this clause as required by MR 2.13.9.</p> <p>a) Due to operational constraints and error margins, System Management only reports outages greater than 10 MW, and for at least one Trading Interval. This value was chosen for parity with the EGC compliance threshold (MR 7.6A).</p>	<p><i>Clause amended</i></p> <p>This issue is intended to be resolved via a Rule Change due to come into effect on 1 December 2010. An associated PSOP amendment has been drafted.</p>
7.10.1, 7.10.5	<p>System Management must monitor Participant compliance with Resource Plans. If a Participant deviates from their Resource Plan, under certain circumstances System Management must warn the Participant and require the Participant to return to their Resource Plan.</p> <p>In two cases, alleged breaches by System Management occurred where a Participant deviated from its Resource Plan.</p>	<p><i>Clause amended</i></p> <p>This issue is intended to be resolved via a Rule Change due to come into effect on 1 December 2010. An associated PSOP amendment has been drafted.</p>