Notice of Market Rules Modification

Paper No.: EMC/RCP/64/2012/314
Rule Reference: Market Rules/Chap 5 Sec 2.2, 2.3, Chap 6 Sec 9.3.3 & 10.4
Proposer: PowerSeraya Ltd
Date Received by EMC: 23 December 2011
Category Allocated: 1
Status: Approved by EMA
Effective Date: 21 December 2012

A proposal received suggested allowing offer changes (specifically additional energy, reserve or regulation offers) when an Emergency Operating State (EOS) has been declared by the Power System Operator (PSO). The rationale of the proposal is to enhance the offer responsiveness to system conditions. Essentially, market advisories are issued at fixed timings in conjunction with MCE dispatch/forecast runs. However, an EOS may be declared at any time, which may not correspond to any advisory notice to “open” the gate closure. Thus, the system will benefit from greater responsiveness by allowing offer changes following PSO’s EOS, rather than waiting for the issuance of a market advisory.

EMC’s analysis concludes that the proposal does indeed eliminate delays/gaps in the current gate closure regime, but could
a) introduce greater uncertainty and complicate system operation; and
b) introduce offer changes for dispatch periods even when the normal operating state has been restored, if these periods had been included in the original EOS forecast.

Furthermore, if the proposal were introduced, then the EOS advisory notice must state the product responsible for the EOS (i.e. energy, reserve or regulation).

Based on data from 01 July 2011 to 30 June 2012, the market appears unresponsive to increasing their energy offers in response to market advisories forecasting energy shortfalls. As such, the implementation of the proposal will likely have a negligible impact.

During the industry consultation, the PSO has indicated that offer changes during an EOS do not aggravate system operation, and they would be able to specify the product responsible for the EOS in system status advisory notices so as to guide market participants in their offer changes.

At the 63rd RCP meeting, the RCP by majority vote supported the proposal to allow offer changes that alleviate shortfall situations within gate closure while an EOS is in effect, and tasked EMC to draft the relevant rule modifications required to implement the proposal.

The proposed rule modifications to implement the RCP’s decision, as set out in Annex 1, were presented at the 64th RCP Meeting. The RCP unanimously recommends that the EMC board adopt the proposed rule modifications as set out in Annex 1.

Date considered by Rules Change Panel: 06 November 2012
Date considered by EMC Board: 22 November 2012
Date considered by Energy Market Authority: 19 December 2012
Proposed rule modification:
See attached paper.

Reasons for rejection/referral back to Rules Change Panel (if applicable):
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1. **Introduction**

The current Market Rules specify a gate closure period from the start of a given dispatch period to 65 minutes prior, within which market participants shall not submit any offer variations for that dispatch period. There are however provisions whereby offer variations within gate closure are permitted for system security reasons.

This paper discusses a proposal received during the 2012/13 work plan prioritisation exercise, which suggests allowing additional offer quantities within gate closure, when the Power System Operator (PSO) has announced an Emergency Operating State (EOS).

2. **Background**

Gate closures are typically imposed in most electricity markets to limit offer changes too close to the real-time dispatch period. This is to provide certainty to both the system operator (that there are adequate resources to meet projected load and security requirements) and generation units (to prepare their units for dispatch).

The current gate closure in the Singapore Wholesale Electricity Market is 65 minutes. Notwithstanding, the Market Rules provide for offer variations to be submitted within gate closure under the following conditions (Chapter 6, Section 10.4.1):

(a) For a generation registered facility (GRF) to reflect changes in its ramp profile following synchronisation or preceding de-synchronisation.

(b) For a GRF to reflect its unavailability arising from a forced outage.

(c) To decrease supply in an energy surplus situation, for which a market advisory notice has been issued.

(d) To increase energy, reserve or regulation supply if it improves a shortfall situation, for which a market advisory notice has been issued.

Essentially, exceptions (a) and (b) relate to a specific GRF better reflecting its physical capability. On the other hand, exceptions (c) and (d) relate to situations whereby the overall system is under stress (the Market Clearing Engine has issued a market advisory warning of an energy surplus or energy/reserve/regulation shortfall), and all units (rather than a specific GRF) are encouraged to reduce/increase their offers in a way that contributes positively to resolving the surplus/shortfall situations.

3. **Proposal received**

The proposal suggests allowing offer changes (specifically additional energy, reserve or regulation offers) when an EOS has been declared by the PSO. According to Chapter 5, Section 2.3 of the market rules, the system is considered to be in an EOS when the observance of security limits applicable under a normal operating state will require, or be reasonably likely to require, curtailment of non-dispatchable load. The conditions under which an EOS may be declared are further specified in Section 11.4.3 of the System Operation Manual.

The rationale of the proposal is to enhance the offer responsiveness to system conditions. Essentially, market advisories are issued at fixed timings in conjunction with MCE dispatch/forecast runs. However, an EOS may be declared at any time, which may not correspond to any advisory notice to “open” the gate closure. Thus, the system will benefit from greater responsiveness by allowing offer changes following PSO’s EOS, rather than waiting for the issuance of a market advisory.
4. **Analysis**

The following section analyses the proposal.

4.1 **Gaps in current gate closure regime**

**Figure 1: Timeline of key events in current gate closure regime**

- **T-65min:** Gate closure for Period T begins, no offer variations allowed except where provided for under the Market Rules
- **T-64/55min:** STS for Period T is run at T-64min, and published at T-55min
- **T-34/25min:** Another STS for Period T is run at T-34min, and published at T-25min. This is the last STS to be published for Period T.
- **T-5min:** The RTDS for Period T is run at T-5, and published before T-30s

Figure 1 above illustrates the timeline in relation to Period T, with the following key events occurring:

- **T-65min:** Gate closure for Period T begins, no offer variations allowed except where provided for under the Market Rules
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- **T-34/25min:** Another STS for Period T is run at T-34min, and published at T-25min. This is the last STS to be published for Period T.
- **T-5min:** The RTDS for Period T is run at T-5, and published before T-30s

Based on the above timeline, “opening” the gate closure only in response to market advisories leads to the following timing gaps:

(i) **Scenario 1: Contingency event occurs between T-64 and T-34 minutes – Delay of up to 39 minutes**

If a contingency event (which leads to a shortfall/surplus) occurs between T-64 and T-34 minutes, any forecast shortfall will only show up in the STS/market advisory published at T-25 minutes. While this still allows market participants to revise offers to contribute positively to system security, the reaction time may be delayed by up to 39 minutes (in the worst case scenario, a contingency event happening right after the start of STS production at T-64 minutes results in a market advisory only at T-25 minutes).
(ii) Scenario 2: Contingency event occurs between T-34 and T-5 minutes – Blind spot not reflected in any market advisory

If a contingency event (which leads to a shortfall/surplus) occurs between T-34 and T-5 minutes (after the last STS published for Period T), any forecast shortfall will not be reflected in any forecast market schedules. As a result, market participants are unable to change their offers without breaching the market rules, even if these offer changes could be beneficial in relieving the situation.

In conclusion, given the fixed intervals at which forecast runs/market advisories are run, there could be either a delay (scenario 1) or blind spot (scenario 2) in informing the market that offer variations, where they contribute to system security, are welcome. In comparison, “opening” the gate closure in response to ad-hoc EOS declarations could provide for greater responsiveness, which appears to be a better arrangement prima facie.

The proposal received addressed energy shortfall situations (i.e. exception (d)). However, if implemented, the proposal should be extended to situations whereby the EOS is triggered by energy surplus situations (i.e. exception (c)).

4.2 Potential Issue 1: Central control versus market-driven response

A key consideration of whether to allow additional offers during an EOS depends on the degree of central control that the system operator requires during such situations.

Central control and coordination by PSO

During an EOS, the system operator is empowered to take actions to return the system to normality. Giving the system operator full central control during such situations provides them with certainty, and enables them to centrally coordinate any remedial actions (e.g. manually overriding dispatch instructions and directing specific generating units to run up).

Market-driven alleviation through additional offers

On the other hand, the proposal to allow offer changes after an EOS declaration suggests a more market-driven strategy, whereby units could voluntarily submit offers and run-up when scheduled. This could inadvertently compromise the central control authority of the system operator. For example, during scenario 2 (blind spot from T-34 to T-5 minutes), the PSO could be instructing Genset 1 to run up for Period T, while Genset 2 (through its additional offers under the proposal) is also scheduled and runs up.

A market-driven response is better from an efficiency angle but, under such critical situations, efficiency considerations are subjugated to system security. To some extent, this issue of central control versus market-driven response already exists with the current Market Rules (exceptions c and d, Chapter 6, Section 10.4.1). However, the proposal allows for changes so close to the dispatch period (i.e. by opening up the blind spot in Scenario 2) could possibly hinder, rather than contribute to, PSO’s central control remedial efforts.

4.3 Potential Issue 2: Timing/nature of EOS notice

Upon the declaration of an EOS, a system status advisory notice\(^1\) is issued to all market participants. A list of all EOS notices issued by the PSO is given below:

\(^1\) There are generally three types of conditions provided for in system status advisory notices: (1) major equipment outage, (2) load shedding, or (3) other abnormal condition.
Table 1: EOS system status advisories from 01 July 2011 to 30 June 2012²

<table>
<thead>
<tr>
<th>S/N</th>
<th>Description</th>
<th>Issue Date, Time</th>
<th>From Date, Period</th>
<th>To Date, Period</th>
<th>Issue Date, Time</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Emergency Operating State. There is an Energy Shortfall.</td>
<td>21/1/2012, 17:38</td>
<td>21/1/2012, P36</td>
<td>21/1/2012, P36</td>
<td>21/1/2012, 18:07</td>
<td>P37</td>
</tr>
</tbody>
</table>

Based on the notice descriptions and timings above, two issues are identified:

a) Currently, advisory notices may or may not state the areas of shortfall/surplus leading to the EOS (e.g. S/N 3 relating to 13 December 2011).

b) The EOS includes PSO’s forecast on when the EOS will likely be lifted, which may deviate from when the EOS is actually lifted. Hence, the following two scenarios are possible:

i) **Normal operating state achieved before forecast** – For example, the notice could forecast an EOS for Periods 1-5, but PSO announces subsequently that normal operating state is achieved in Period 4. If an MP revises an offer for Period 5 in Period 3 (within gate closure) before PSO’s subsequent announcement, then the offer change would be accepted.

ii) **Normal operating state achieved after forecast** – Similarly, the notice could forecast an EOS for Periods 1-5, but normal operating state is achieved only in Period 8. In this case, MPs are unable to change offers for Periods 6-7 even if they could contribute positively to system security. In this situation, PSO could plausibly send out another notification to announce the extension of the original EOS forecast to cover this gap.

### 4.4 Extent of offer changes after publication of energy shortfall market advisories

To estimate the likely benefits of allowing offer variations while an EOS is in effect, the extent to which market participants currently increase their offers to alleviate market advisory shortfalls are analysed.

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² Disregarding High-risk operating state advisory notices issued on 01 June 2012.
Table 2: Extent of offer changes following forecast energy shortfall

<table>
<thead>
<tr>
<th>Energy shortfall market advisory (1 July 2011 to 30 June 2012)</th>
<th>Number of periods</th>
<th>Average MW of energy shortfall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forecast energy shortfall for periods after gate closure</td>
<td>21</td>
<td>150.1</td>
</tr>
<tr>
<td>Offer changes following energy shortfall market advisory</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Number of periods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average MW of increase in energy offers</td>
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</tbody>
</table>

The table above shows that the market is not responsive in increasing their energy offers, in response to market advisories forecasting energy shortfalls. For the period from 1 July 2011 to 30 June 2012, even though there were 21 cases of forecast shortfalls, there was no increase in energy offers within gate closure following from an energy shortfall market advisory. One possible explanation is that all available offers are already submitted, such that there is no additional capacity for generating units to increase energy offers even when the gate closure is “opened”. As such, the implementation of the proposal will likely have a negligible impact.

5. Conclusion

In conclusion, the proposal to allow offer changes within gate closure while an EOS is in effect would eliminate delays/gaps in the current gate closure regime. Thus, the proposal is of merit as long as it neither introduces greater uncertainty nor complicates system operation. Additionally, if the proposal is to be implemented, the EOS system status advisory notice would need to state the product responsible for the EOS (i.e. energy, reserve or regulation) so as to guide market participants in their offer changes.

However, based on data from 01 July 2011 to 30 June 2012, the market appears unresponsive to increasing their energy offers in response to market advisories forecasting energy shortfalls. As such, the implementation of the proposal will likely have a negligible impact.

6. Industry Consultation (Concept paper)

We published the concept paper for industry consultation on 1 August 2012, and also specifically sought the system operator’s views on:

a) whether offer changes during an emergency operating state, as envisioned in the proposal, would facilitate or aggravate system operation; and if it facilitates,

b) whether the system operator could specify the area of surplus/shortfall responsible for the system status advisory, to guide market participants in providing additional offers.

Feedback was received from the PSO and Tuas Power Supply.

Comments from PSO

(a) During the dispatch period when a major contingency event involving tripping of generators occurs that required PSO to declare EOS, PSO’s immediate response would be to activate contingency reserves to make up the generation loss. For subsequent dispatch
periods, PSO would only consider overriding of dispatch schedule if necessary upon issue of the RTS by EMC and careful assessment of its operational feasibility.

It could take up to 20 minutes for Gencos to offer additional quantities after declaration of EOS by PSO. E.g., in the case of Scenario 2 whereby a contingency event occurs between T-34 and T-5, PSO's priority is to stabilise the power system first and then declare EOS if necessary, which could take up to 10 minutes; and on declaration of EOS, Gencos could take another 10 minutes to submit offer variations to offer additional quantities. Hence it is unlikely that the RTS at T could be changed in time to schedule these additional quantities. Even if it does, PSO may still need to override the dispatch schedule for period T.

In the case of Scenario 1, where contingency events occurs between T-64 and T-34, gencos’ additional quantity being offered during EOS would likely be scheduled in period T. It is possible that the RTS would be operationally feasible without the need for PSO to override, and enable PSO to declare cessation of EOS earlier.

In conclusion, whether to go ahead with the rule change, PSO may still be overriding dispatch schedule at period T or subsequent periods, though less likely. Hence, the possibility of mismatch between RTS and PSO issued instruction for dispatch period T or subsequent periods is less of a concern here. However, the proposed rule change could help in minimising the duration of EOS by opening the gate for offer variation immediately after the declaration of EOS till cessation of the EOS; though there is no guarantee that offer variation with additional quantities would be submitted.

EMC’s response

We note the PSO’s views that offer changes during an EOS do not aggravate system operation and could potentially minimize the duration of the EOS, although there would be some lead time required in submitting offer changes. Moreover, even with the implementation of this proposal, the PSO will always have the prerogative to override dispatch schedules in order to maintain system stability.

Comments from PSO

(b) PSO can state the product that is causing the EOS in the Advisory notices.

EMC’s response

We note PSO’s comments.

Comments from Tuas Power Supply

(1) The current market is working well; there is no need for the change.
(2) Central control by PSO is more effective in an emergency EOS situation.

EMC’s response

As indicated by PSO’s comments earlier, the proposal could potentially be beneficial from a system control perspective, and help reduce the duration of an EOS. Furthermore, PSO will always retain the prerogative to override dispatch schedules so as to maintain system stability in real-time.
7. Deliberation at the 63rd RCP meeting

Since the PSO considers that offer changes which alleviate shortfall situations during an EOS do not aggravate system operation, and has indicated that they can specify the product responsible for the EOS in the relevant system status advisory notice, at the 63rd RCP meeting, the RCP by majority vote supported the proposal to allow offer changes that alleviate shortfall situations while an EOS is in effect, and tasked EMC to draft the relevant rule modifications. The details of the voting outcomes are as follows:

Those who voted not to support the proposal:
1) Mr. Michael Wong Representative of Retail Electricity Licensee

Those who voted in support of the proposal:
1) Mr. Toh Seong Wah Representative of EMC
2) Mr. Kng Meng Hwee Representative of the PSO
3) Mr. Daniel Lee Representatives of Generation Licensee
4) Mr. Luke Peacocke Representatives of Generation Licensee
5) Mr. Koe Pak-Juan Representatives of Generation Licensee
6) Mr. Sean Chan Representatives of Retail Electricity Licensee
7) Mr. Dallon Kay Representative of Wholesale Electricity Trader
8) Mr. Lawrence Lee Representative of the Market Support Services Licensee
9) Mr. Phillip Tan Person experienced in Financial Matters in Singapore
10) Dr. Toh Mun Heng Representative of Consumers of Electricity in Singapore

8. Proposed rule modifications

Arising from the RCP’s decision, EMC has drafted the proposed rule modifications, as set out in Annex 1, to implement the proposal to allow offer changes that alleviate shortfall situations while an EOS is in effect. Table 3 below summarises the proposed rule changes.

Table 3: Summary of proposed rule changes

<table>
<thead>
<tr>
<th>Chapter/Section</th>
<th>Proposed change</th>
<th>Reason for change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter 5 Section 2.2.3 and Section 2.3.3</td>
<td>Added &quot;in accordance with the system operation manual&quot;.</td>
<td>To make clear that the PSO shall inform market participants in accordance with the method of communication stipulated in the SOM.</td>
</tr>
<tr>
<td>Chapter 5 Section 2.3.3</td>
<td>Added reference to energy, reserve or regulation shortfall relating to the EOS.</td>
<td>To reflect that the PSO shall inform market participants of any shortfall relating to the EOS, where applicable.</td>
</tr>
<tr>
<td>Chapter 6 Section 9.3.3</td>
<td>Specified the means through which advisory notices shall be withdrawn.</td>
<td>To make clear the manner in which EMC shall withdraw advisory notices.</td>
</tr>
<tr>
<td>Chapter 6 Section 10.4.1.1</td>
<td>Addition of exception allowing offer changes within gate closure when: (1) it contributes positively to shortfall situations indicated in an EOS system status advisory notice, and (2) the advisory notice has not been withdrawn.</td>
<td>To implement the proposal allowing offer changes while an EOS is in effect, as described in this paper.</td>
</tr>
</tbody>
</table>
9. **Impact on market systems**

There is no impact on market systems.

10. **Legal sign-off**

The text of the rule modifications has been vetted by EMC’s external legal counsel, whose opinion is that the modifications reflect the intent of the rule modification proposal as expressed in the third column of the table in **Annex 1**.

11. **Consultation (Proposed rule changes)**

The proposed rule changes, as set out in Annex 1, were published for consultation on 8 October 2012, and no feedback was received.

12. **Recommendation**

The RCP unanimously recommends that the EMC Board:

- adopt the rule modifications as set out in **Annex 1**;
- seek EMA’s approval of the rule modifications as set out in **Annex 1**; and
- recommend that the rule modifications come into force one business day after the date of which the approval of the Authority is published by the EMC.
## Annex 1 – Proposed Rule Modifications

<table>
<thead>
<tr>
<th>Existing Market Rules (1 July 2012)</th>
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<td><strong>CHAPTER 5</strong></td>
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<tr>
<td><strong>2.2</strong> HIGH-RISK OPERATING STATE</td>
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<td>To reflect that the PSO shall inform market participants in accordance with the system operation manual of a high-risk operating state.</td>
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<td>2.2.3 The PSO shall promptly inform market participants when a high-risk operating state is anticipated or has been declared, and when it ceases to exist or to be anticipated.</td>
<td>2.2.3 The PSO shall promptly inform market participants in accordance with the system operation manual when a high-risk operating state is anticipated or has been declared, and when it ceases to exist or to be anticipated.</td>
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<td><strong>2.3</strong> EMERGENCY OPERATING STATE</td>
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<td>To reflect that the PSO shall inform market participants in accordance with the system operation manual of an emergency operating state and of any energy, reserve or regulation shortfall relating to the emergency operating state, where applicable.</td>
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<td>2.3.3 The PSO shall promptly inform market participants in accordance with the system operation manual when an emergency operating state is anticipated or has been declared, and when it ceases to exist or to be anticipated and, where applicable, the energy, reserve or regulation shortfall relating to the emergency operating state.</td>
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<tr>
<td><strong>CHAPTER 6</strong></td>
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<tr>
<td><strong>9.3.3</strong> The EMC shall, as soon as practicable, withdraw any of the advisory notices referred to in sections 9.3.2.1 and 9.3.2.2 and issued in respect of a dispatch period to the extent that the conditions referred to in such advisory notices are no longer or are expected to no longer be applicable to such dispatch period.**</td>
<td><strong>9.3.3 The EMC shall, as soon as practicable and in such manner as will provide adequate notice, using electronic means, or in the case where electronic means are not available, by any other means it considers suitable, withdraw any of the advisory notices referred to in sections 9.3.2.1 and 9.3.2.2 and issued in respect of a dispatch period to the extent that the conditions referred to in such advisory notices are no longer or are expected to no longer be applicable to such dispatch period.</strong></td>
<td>To provide that the EMC shall withdraw the advisory notices under this section in a manner as will provide adequate notice and using electronic means (or if such electronic means are unavailable, by any other means as EMC considers suitable).</td>
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<td><strong>10.4 GATE CLOSURE</strong></td>
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<td><strong>10.4.1 Notwithstanding sections 5.1.5, 5.1.6 and 5.1.7, no offer variation or revised standing offer shall be submitted by or for a market participant within 65 minutes immediately prior to the dispatch period to which the offer variation or revised standing offer applies, except:</strong></td>
<td><strong>10.4.1 Notwithstanding sections 5.1.5, 5.1.6 and 5.1.7, no offer variation or revised standing offer shall be submitted by or for a market participant within 65 minutes immediately prior to the dispatch period to which the offer variation or revised standing offer applies, except:</strong></td>
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<td>10.4.1.1 where it is intended:</td>
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<td>d. to contribute positively to the resolution of energy, reserve or</td>
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<tr>
<td>(1 July 2012)</td>
<td>regulation shortfall situations pertaining to which the EMC has issued advisory notices under section 9.3.1, by allowing for increased supply of energy, reserve or regulation; and</td>
<td>To add a new exception to section 10.4.1.1 for offer variations and revised standing offers submitted by a market participant within 65 minutes immediately prior to the relevant dispatch periods to which they apply, if all the following conditions are met: (1) if they are intended to contribute positively to the resolution of shortfalls in a dispatch period by allowing for increased supply; (2) if the shortfalls were indicated in a system status advisory notice.</td>
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<td></td>
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<td></td>
<td>e. to contribute positively to the resolution of energy, reserve or regulation shortfall situations in that dispatch period, where:</td>
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<tr>
<td></td>
<td>(i) the shortfall situations were indicated in a system status advisory notice issued by the EMC in respect of an emergency operating state declared by the PSO; and</td>
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<tr>
<td></td>
<td>(ii) at the time of submission of such offer variation or revised standing offer, the EMC has not yet withdrawn, in respect of that dispatch period, such system status advisory notice, by allowing for increased supply of</td>
<td></td>
</tr>
</tbody>
</table>

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<tr>
<td>...</td>
<td><strong>energy, reserve or regulation; and</strong></td>
<td>issued by the EMC in respect of a PSO-declared emergency operating state; and (3) at the time of submission of the offer variations or revised standing offers, such advisory notice was not yet withdrawn in respect of that dispatch period.</td>
</tr>
</tbody>
</table>