



INDEPENDENT  
MARKET  
OPERATOR

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## Wholesale Electricity Market Procedure Change Proposal

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Procedure Change ID: PC\_2013\_06

### Change requested by

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<b>Date submitted:</b>	10 February 2014
<b>Procedure change title:</b>	Changes to Market Procedure for Certification of Reserve Capacity
<b>Market Procedure affected:</b>	Market Procedure for Certification of Reserve Capacity

### Introduction

The IMO or System Management, as applicable, may initiate the Procedure Change Process by developing a Procedure Change Proposal. Rule Participants may notify the IMO or System Management, as applicable, where they consider an amendment or replacement of a Market Procedure would be appropriate.

If an Amending Rule requires the IMO or System Management to develop new Market Procedures or to amend or replace existing Market Procedures, then the IMO or System Management, as applicable, is responsible for the development, amendment, or replacement of Market Procedures so as to comply with the Amending Rule.

Market Procedures:

- (a) must:
  - i. be developed, amended or replaced in accordance with the process in the Market Rules;
  - ii. be consistent with the Wholesale Market Objectives;
  - iii. be consistent with the Market Rules, the Electricity Industry Act and Regulations; and



- (b) may be amended or replaced in accordance with clause 2.10 and must be amended or replaced in accordance with clause 2.10 where a change is required to maintain consistency with Amending Rules.

The Wholesale Market Objectives are:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- (c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.

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## Details of Procedure Change Requested

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### 1. Provide a reason for the proposed new, amended or replacement Market Procedure:

The Market Procedure for Certification of Reserve Capacity (Procedure) outlines the processes to be followed by the IMO and Market Participants with respect to applications for Certified Reserve Capacity or Early Certified Reserve Capacity. The Procedure also provides details of the process the IMO follows in approving Capacity Credits associated with Early Certified Reserve Capacity and specifies the format of data required to be submitted in an application for certification of Reserve Capacity.

The IMO has developed this Procedure Change Proposal to reflect amendments to the Market Rules resulting from three Rule Change Proposals:

- RC\_2012\_20: Consideration of Network Constraints for Certified Reserve Capacity<sup>1</sup>;
- RC\_2013\_09<sup>2</sup>: Incentives to Improve Availability of Scheduled Generators; and
- RC\_2013\_10<sup>3</sup>: Harmonisation of Supply-Side and Demand-Side Capacity Resources.

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<sup>1</sup> Details available at [http://www.imowa.com.au/RC\\_2012\\_20](http://www.imowa.com.au/RC_2012_20).

<sup>2</sup> Details available at [http://www.imowa.com.au/RC\\_2013\\_09](http://www.imowa.com.au/RC_2013_09).

<sup>3</sup> Details available at [http://www.imowa.com.au/RC\\_2013\\_10](http://www.imowa.com.au/RC_2013_10)

The Amending Rules for RC\_2012\_20 commenced on 1 July 2013. RC\_2013\_09 and RC\_2013\_10 are currently being progressed through the Standard Rule Change Process and their Draft Rule Change Reports were published on 28 November 2013 and 19 December 2013 respectively. While the IMO is yet to make its final decision on the latter Rule Change Proposals the proposed commencement date for the relevant amendments is 1 May 2014.

The IMO proposes to update the Procedure to:

- ensure consistency with the Amending Rules for RC\_2012\_20 and the proposed Amending Rules for RC\_2013\_09 and RC\_2013\_10;
- provide details of the factors that may be considered by the IMO when determining whether a Facility that has not been in Commercial Operation for 36 months meets the criteria in clause 4.11.1(h)(ii);
- provide details of the process the IMO will use if it receives multiple applications relating to a shared Declared Sent Out Capacity (DSOC) and the sum of the levels of unconstrained network access nominated in the applications exceeds the DSOC;
- clarify how the IMO will determine the quantity referred to in clause 4.11.1(a) where the applicant nominates more than one fuel for certification under clause 4.10.1(e)(v);
- clarify how the IMO will assess fuel supply, staffing constraints and other restrictions when assigning Certified Reserve Capacity to Scheduled Generators; and
- improve the clarity and integrity of the Procedure and its consistency with the IMO's standard format for Market Procedures.

The proposed amended Procedure was discussed by the IMO Procedure Change and Development Working Group (IMOPWG) at its 20 September 2013 meeting. Minutes from the meeting are available on the following webpage: <http://www.imowa.com.au/IMO-Procedures-Working-Group>.

In addition to proposing a number of minor amendments to improve clarity and integrity, IMOPWG members requested that the IMO update the proposed amended Procedure to provide greater clarity around:

- how the IMO will 'split' a shared DSOC for the purposes of certification, and
- the treatment of applications for certification of 'dual fuel' Facilities.

The IMO made a number of additional changes to the proposed amended Procedure following the 20 September 2013 meeting, to:

- reflect the feedback provided by the IMOPWG;
- reflect the additional amendments to the Market Rules proposed in the Draft Rule Change Report for RC\_2013\_09;

- include additional detail (in step 3.5.2) on the factors that may be considered by the IMO when determining whether a Facility that has not been in Commercial Operation for 36 months meets the criteria in clause 4.11.1(h)(ii);
- include a requirement for the IMO to specify the due date for any additional information requested under clause 4.11.1B(a);
- remove the references to Peak Trading Intervals on Business Days in section 4.4 (Environmental approval assessment);
- clarify in step 5.4.1 that a Facility applying for assessment under clause 4.11.2(b) may be assigned a lesser quantity of Certified Reserve Capacity if it satisfies the criteria set out in clause 4.11.1(h); and
- further improve the overall clarity and integrity of the Procedure.

Please note that the IMO proposes to amend clauses 4.9.3(a), 4.9.10 and 4.28C.15 of the Market Rules to clarify that this Procedure is called the Market Procedure for Certification of Reserve Capacity. The IMO intends to include these amendments in the Final Rule Change Report for RC\_2013\_09.

The updated Procedure was provided to IMOPWG members on 24 January 2014 for out of session comment. Three members requested that the IMOPWG meet to discuss the Procedure, with one member suggesting that the changes to clarify the fuel requirements for certification would likely benefit from broader discussion by the group.

Accordingly the IMO presented the updated Procedure for discussion at the IMOPWG meeting held on 6 February 2014. At this meeting the IMO agreed to:

- amend the defined term “Temperature Dependence Curve”, so that it can be determined not only by an independent engineering firm but also by what is detailed in the manufacturer’s technical specifications;
- consider whether the order of the factors listed in step 3.5.2 should be amended to provide additional clarity (note the IMO has since reviewed this step and concluded that no change is required); and
- re-order the list in step 3.5.7 to put the mandatory requirement first.

There was considerable discussion regarding how the IMO would assess whether there is sufficient fuel and certainty of fuel supply for a Facility seeking certification of a given quantity of Reserve Capacity. Some concerns were raised that the current drafting (which had removed the 14 hours fuel requirement to reflect the changes in RC\_2013\_10) was too vague and introduced uncertainty and regulatory risk. The Chair noted that there was a trade-off between certainty and flexibility in this case and invited suggestions from IMOPWG members. No solution was agreed upon, although the following suggestions and principles were discussed.

- It was suggested that the fuel requirement threshold could be linked to whether the Facility is available during ‘peak periods’ (not to be defined further). However, it was concluded that the use of this term may not actually provide greater certainty to Market Participants.

- The assessment of fuel is not required to consider the implications of an external disruption to fuel supply, although it was noted that this scenario is not considered in the Planning Criterion.
- The IMO would take into account and should be notified where a Market Participant anticipates a change in the operating characteristics of its Facility that may affect its fuel requirements e.g. a move from base load to peaking operation.

The IMO agreed to review section 4.3 of the Procedure, but has not been able to identify any further amendments that would provide greater certainty to Market Participants without sacrificing flexibility or introducing further uncertainty. ***The IMO invites Market Participants to provide suggestions in their submissions on how section 4.3 could be enhanced to strike a balance between certainty and flexibility in a manner consistent with the proposed changes in RC\_2013\_10.***

### ***Request for submissions***

The IMO is seeking submissions regarding this proposal. The submission period is 20 Business Days from the publication of this Procedure Change Proposal. Submissions must be delivered to the IMO by **5:00 pm on Tuesday, 11 March 2014**.

The IMO prefers to receive submissions by email to [market.development@imowa.com.au](mailto:market.development@imowa.com.au) using the submission form available on the IMO website: <http://www.imowa.com.au/procedure-changes>.

Submissions may also be sent to the IMO by fax or post, addressed to:

Independent Market Operator  
Attn: Group Manager, Development and Capacity  
PO Box 7096  
Cloisters Square, Perth, WA 6850  
Fax: (08) 9254 4399

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## **2. Provide the wording of the amended Procedure**

The proposed amended Procedure is provided as an attachment to this proposal.

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## **3. Describe how the proposed changes to the Market Procedure would be consistent with the Market Rules, the Electricity Industry Act and Regulations**

The proposed amended Procedure has been reviewed as a whole by the IMO to ensure compliance of the Procedure with the relevant provisions in the:

- Market Rules;
  - Electricity Industry Act; and
  - Regulations.
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#### **4. Describe how the proposed changes to the Market Procedure would be consistent with the Wholesale Market Objectives**

The steps described in the proposed amended Procedure will facilitate the processes for the certification Reserve Capacity as described in chapter 4 of the Market Rules. Specifically, the IMO considers the proposed amendments to the Procedure:

- support the Amending Rules arising from RC\_2012\_20 (which will better achieve Wholesale Market Objectives (a) and (d));
- support the Amending Rules proposed in RC\_2013\_09 (which will better achieve Wholesale Market Objectives (a), (b) and (d));
- support the Amending Rules proposed in RC\_2013\_10 (which will better achieve Wholesale Market Objectives (a), (c) and(e)); and
- improve the overall clarity and integrity of the Procedure.

The IMO considers that the steps are drafted in a way that does not change the operation or objectives of the Market Rules (as proposed to be amended by RC\_2013\_09 and RC\_2013\_10). As a result the IMO considers that the proposed amended Procedure is consistent with the Wholesale Market Objectives.