



Market Operator

Procedure Change Report

**Title: Changes to Market
Procedure for Reserve
Capacity Performance
Monitoring**

Ref: PC_2010_05

Date: 11 April 2011

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Independent Market Operator

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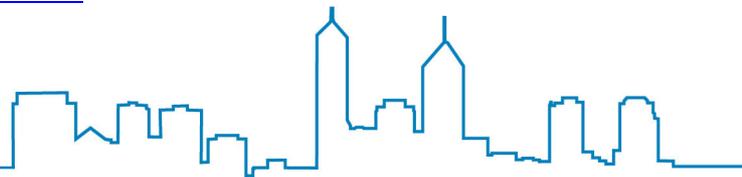
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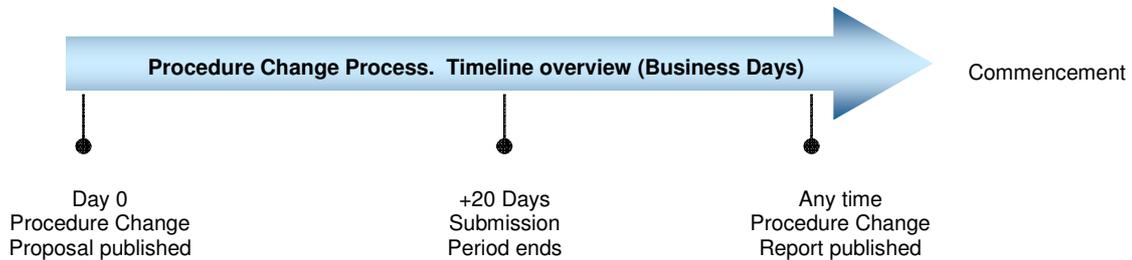
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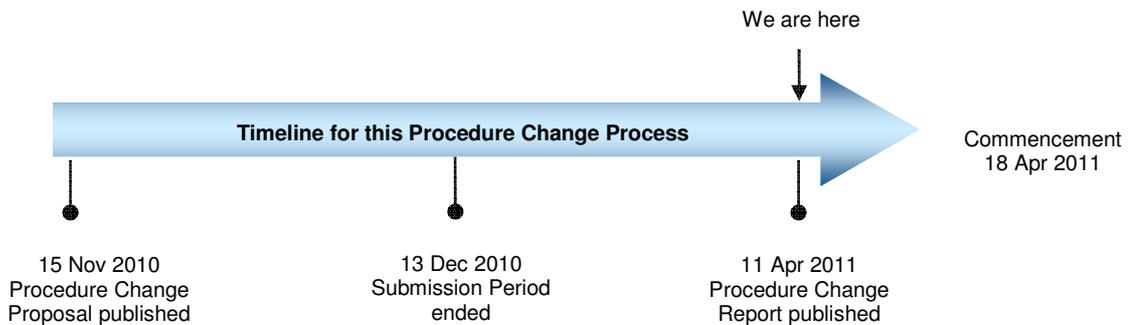


1. INTRODUCTION

On 15 November 2010, the Independent Market Operator (IMO) published a Procedure Change Proposal titled “Changes to Market Procedure for Reserve Capacity Performance Monitoring”. 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:



2. THE PROCEDURE CHANGE PROPOSAL

2.1 Details of the Proposal

The proposed amended Market Procedure: Reserve Capacity Performance Monitoring updated the Market Procedure to reflect the recent amendments to the Market Rules resulting from the following Rule Change Proposals:

- RC_2009_11: Changes to the window of entry into the Reserve Capacity Mechanism,
- RC_2009_19: Reserve Capacity Performance Monitoring; and
- RC_2010_12: Correction of Chapter 4 minor, typographical and manifest errors.

The proposed amendments also reflected the IMO's new format resulting from its Market Procedure Project, which included the removal of unnecessary

duplication of the Market Rules and the inclusion of a process flow diagram for Reserve Capacity Performance Monitoring.

To improve the integrity of the Market Procedure, the IMO also proposed a number of minor and typographical amendments.

The proposed amended Market Procedure was discussed by the IMO Market Procedures Working Group at the 28 July 2010 meeting. Minutes from the meeting are available on the following webpage: <http://www.imowa.com.au/IMO-Procedures-Working-Group>.

Full details of the Procedure Change Proposal are available at: http://www.imowa.com.au/PC_2010_05.

3. PUBLIC CONSULTATION PERIOD

3.1 Submissions received

The public submission period was between 16 November 2010 and 13 December 2010. The IMO received two submissions from Landfill Gas & Power (LGP) and Synergy during the submission period.

Both submissions are summarised below with the full text available on the IMO website.

3.1.1 Submission from Landfill Gas & Power

LGP supports the proposed changes as significantly enhancing the clarity, coverage and style of the existing procedure.

Wholesale Market Objectives

LGP considers that the additions and clarifications are reasonable and in accordance with the underlying Rule Changes.

3.1.2 Submission from Synergy

Synergy proposed the following minor amendments:

- Step 2.1.9 incorrectly makes reference to itself; the correct reference is 2.1.8; and
- Step 2.5.4: the first letter of the word “authorised” should be capitalised.

3.2 The IMO's response to submissions

In response to submissions received the IMO has:

- Amended the incorrect reference in step 2.1.9. A similar amendment was also required in step 2.1.8; and

- Reviewed the use of the term “authorised person” in the Market Procedure. This includes:
 - Updating the defined term to “Authorised Officer” and linking to the definition in Section 9 of the Corporations Act 2001. This is to allow consistency with the use in other Market Procedures and the Market Rules (see step 1.5.1(d));
 - Updating step 2.3.2 to require Reserve Capacity performance reports to be signed by an Authorised Officer of the Market Participant (rather than the CEO, a member of the Board or Senior Management team). As a result of this step 2.3.3¹ has been deleted as it is redundant;
 - Updating step 2.3.4(f) (Declaration): Rewording the first section of the declaration in brackets to “This needs to be made by an Officer of the Market Participant as defined in Section 9 of the Corporations Act 2001”;
 - Updating step 2.4.10 by replacing “a suitable authorised person as specified in step 2.3.2” with “an Authorised Officer”;
 - Updating step 2.5.4 by replacing “appropriately authorised person as specified in step 2.3.2” with “Authorised Officer”;
 - Removing step 2.6.3(n)²: Step 2.6.3 is a list of information that the IMO may request. Sign-off is not an item of information therefore item (n) has been removed from the list. The IMO has already stated in steps 2.4.10 and 2.7.3 that any further information requested by the IMO should be signed off by an Authorised Officer; and
 - Updating step 2.7.3 by replacing “appropriately Authorised person” with “Authorised Officer”.

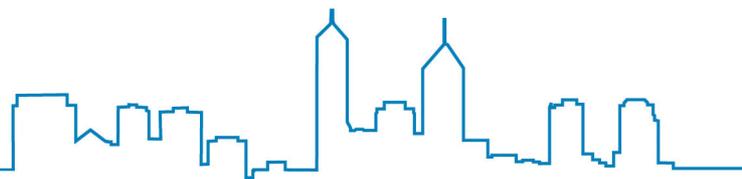
4. ADDITIONAL AMENDMENTS MADE BY THE IMO FOLLOWING THE PUBLIC CONSULTATION PERIOD

In addition to the amendments to the Market Procedure outlined in section 3.2 of this paper, the IMO has:

- For consistency, made a number of minor and typographical amendments to the terminology used;
- Updated the flow chart outlining the Reserve Capacity monitoring and progress reporting processes;
- Simplified the heading used for section 2.3;
- Reworded the second paragraph under section 2.4 for clarity; and
- Updated step 2.6.9 to refer to clause 4.1.26 of the Market Rules.

¹ Allowing the Market Participant to contact the IMO to determine who may be appropriate to sign off the report.

² Sign-off at an “Authorised Level”.



5. THE IMO'S ASSESSMENT

In determining whether to accept the Procedure Change Proposal, the IMO has undertaken an assessment in light of clause 2.9.3(a) of the Market Rules. Market Procedures must be:

- developed, amended or replaced in accordance with the process in the Market Rules;
- consistent with the Wholesale Market Objectives; and
- consistent with the Market Rules, the Electricity Industry Act and Regulations.

The Procedure Change Report prepared by the IMO must contain:

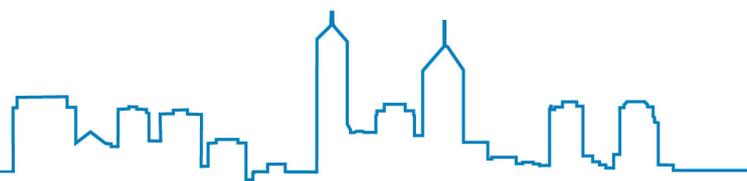
- the wording of the proposed Market Procedure or amendment to or replacement for the Market Procedure;
- the reason for the proposed Market Procedure or amendment to or replacement for the Market Procedure;
- all submissions received before the due date, a summary of those submissions and the response of the IMO or System Management, as applicable, to any issues raised;
- a summary of the views of the Market Advisory Committee (MAC), and if the MAC has delegated its role to consider the Procedure Change Proposal to a Working Group, a summary of the views expressed by that Working Group; and
- a proposed date and time for the Market Procedure or amendment to or replacement to commence, which must allow sufficient time, in the IMO's opinion, after the date of publication for Rule Participants to implement changes required by it (clause 2.10.13).

The IMO's assessment is outlined in the following sections.

5.1 Wholesale Market Objectives

Market Procedures must be consistent with the Wholesale Market Objectives (clause 2.9.3(a) (ii)).

The proposed amended Market Procedure: Reserve Capacity Performance Monitoring describes the steps for conducting Reserve Capacity performance monitoring as required under 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 amended Market Procedure for Reserve Capacity Performance Monitoring, as a whole, is consistent with the Wholesale Market Objectives.



Wholesale Market Objective	Consistent with objective
(a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system	Yes
(b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors	Yes
(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	Yes
(d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system	Yes
(e) to encourage the taking of measures to manage the amount of electricity used and when it is used	Yes

5.2 Wholesale Market Rules, the Electricity Industry Act and Regulations

The IMO considers that the proposed amended Market Procedure is consistent, as a whole, with the Market Rules, the Electricity Industry Act and Regulations.

The IMO also considers that the Market Procedure is consistent with all other Market Procedures.

5.3 Views expressed in submissions

During the consultation period the IMO received two submissions from LGP and Synergy. LGP supported the proposed procedure while Synergy suggested two minor amendments.

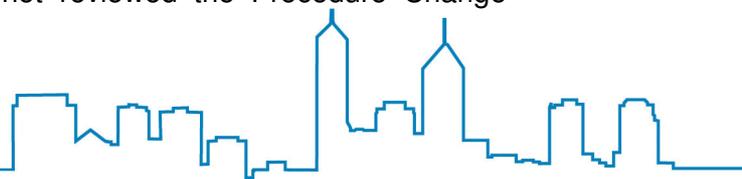
The IMO's response to Synergy's suggestions is included in section 3.2 of this report.

5.4 Implementation of the Market Procedure

The Market Procedure will not require Rule Participants or the IMO to implement any procedural or system amendments before it can commence. However the IMO would like to note that it is currently in the process of making changes to its IT processes regarding Reserve Capacity performance monitoring for compliance purposes. This is within the IMO normal operational programme of work. Consequently, the IMO considers that commencement at 8:00am on 18 April 2011 will allow Rule Participants sufficient time from the date of publication of this Procedure Change Report to ensure compliance with the amended Market Procedure.

5.5 Views of the Market Advisory Committee or a Working Group delegated to consider the Procedure Change Proposal

The MAC has delegated the role of considering IMO Procedure Change Proposals to the IMO Procedure Change and Development Working Group (Working Group) (clause 2.3.17(a)). Therefore the MAC has not reviewed the Procedure Change



Proposal. However, in accordance with clauses 2.10.8 and 2.10.9 the IMO notified the MAC once the Procedure Change Proposal had been published and noted that it would convene a meeting of the MAC to discuss should two or more members request it. One MAC member contacted the IMO in this regard, however, when the nature of the amendments were explained to the member, it was agreed that the MAC did not need to be convened to discuss the Procedure Change Proposal.

The Working Group discussed the Procedure Change Proposal at its 28 July 2010 meeting. In this meeting the IMO noted that there would be additional changes to the procedure resulting from the Rule Change Correction of Chapter 4 minor, typographical and manifest errors (RC_2010_02). The IMO agreed to include specific details of the substantial changes resulting from this rule change in the Procedure Change Proposal and to also review the procedure to reduce unnecessary duplication of the Market Rules.

A full copy of the minutes is available at: <http://www.imowa.com.au/IMO-Procedures-Working-Group>

6. THE IMO'S DECISION

The IMO's decision is to approve the proposed Market Procedure for Reserve Capacity Performance Monitoring as proposed in the Procedure Change Proposal.

The IMO has made its decision on the following basis. The amended Market Procedure for Reserve Capacity Performance Monitoring:

- is consistent with the Wholesale Market Objectives;
- is consistent with the Market Rules, Electricity Industry Act and Regulations;
- had the general support of the Working Group; and
- requires no system changes prior to implementation.

Additional detail outlining the analysis behind the IMO's reasons is outlined in section 4 of this Procedure Change Report.

7. THE AMENDED MARKET PROCEDURE

7.1 Commencement

The amended Market Procedure for Reserve Capacity Performance Monitoring will commence at 8.00am on 18 April 2011.

7.2 The Amended Market Procedure

The amended Market Procedure for Reserve Capacity Performance Monitoring is attached to this report and is also available on the IMO's website: http://www.imowa.com.au/PC_2010_05

