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## Wholesale Electricity Market – Procedure Change Proposal

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Procedure Change No: PC\_2012\_02

### Change requested by:

<b>Name:</b>	Suzanne Frame
<b>Phone:</b>	08-9254 4304
<b>Fax:</b>	08-9254 4399
<b>Email:</b>	Suzanne.Frame@imowa.com.au
<b>Organisation:</b>	IMO
<b>Address:</b>	Level 3, 197 St Georges Terrace, Perth, WA 6000
<b>Date submitted:</b>	06 January 2012
<b>Procedure change title:</b>	New Market Procedure for Balancing Facility Requirements
<b>Market Procedure affected:</b>	Market Procedure for Balancing Facility Requirements

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### Introduction

The Independent Market Operator (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; and
  - 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:

#### Background

The Rule Change Proposal: Balancing and Load Following Ancillary Services (RC\_2011\_10)<sup>1</sup> seeks to establish new Balancing and Load Following Ancillary Services (LFAS) markets. These new proposed markets will enable competition in the provision of both services and thereby improve the efficiency of the Wholesale Electricity Market (WEM). To support the functioning of the proposed new markets amendments to the existing Market Procedures are required along with the creation of a number of new Market Procedures to outline details of new processes being proposed under RC\_2011\_10.

Given the shift towards introducing more principles based drafting of the Market Rules as reflected in RC\_2011\_10, which requires the more detailed description of the processes and express steps to be followed by impacted parties to be presented in the Market Procedure, the IMO progressed the Procedure Change Proposal: Change to the Market Procedure for Procedure Administration (PC\_2011\_07)<sup>2</sup>. The amended Market Procedure resulting from PC\_2011\_07 commenced on 1 January 2012 and provides the IMO and System Management the ability to progress amendments to the Market Rules and Market Procedure in tandem where considered appropriate.

To ensure transparency to the market of the proposed processes for determining the Balancing Facility Requirements when submitting of RC\_2011\_10 (for which the second submission period ends on 19 January 2012) the IMO has determined it necessary to progress the proposed new Market Procedure for Balancing Facility Requirements in tandem with the rule change in this case.

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<sup>1</sup> For further details refer to the following webpage: [www.imowa.com.au/RC\\_2011\\_10](http://www.imowa.com.au/RC_2011_10)

<sup>2</sup> For further details refer to the following webpage: [www.imowa.com.au/PC\\_2011\\_07](http://www.imowa.com.au/PC_2011_07)

## **Proposed New Market Procedure**

The proposed new Market Procedure for Balancing Facility Requirements has been developed in accordance with the relevant heads of power provided under clause 7A.1.5. The Market Procedure specifies the technical and communication criteria that a Balancing Facility, or a type of Balancing Facility, must meet. In particular, the Market Procedure sets out certain technical requirements and communication criteria that a Balancing Facility with a rated capacity of 10 MW or more must meet and which a Balancing Facility with a rated capacity less than 10 MW may meet, and where that is not the case, the process the IMO will follow in consider whether it is appropriate to impose conditions on the manner in which the Balancing Facility must participant in the Balancing Market.

The Market Procedure includes details of:

- a) Requirements which Balancing Facilities with a rated capacity of 10 MW or more must comply with in relation to their ability to receive, confirm and respond to Dispatch Instructions, including ramping capabilities;
- b) Obligations on Market Participants to report and provide information to the IMO regarding non-compliance with the above requirements;
- c) The process the IMO will follow in assessing whether to impose conditions on the participation of non-compliant facilities in the Balancing Market; and
- d) The type of conditions which the IMO may impose.

The Market Procedure will apply to Market Participants which own Balancing Facilities and the IMO in determining whether it is appropriate to impose conditions on a Balancing Facility that does not meet the technical requirements.

The IMO notes that the commencement of the new Market Procedure will be contingent on the related Amending Rules proposed under RC\_2011\_10 commencing.

## **Consultation to date**

The IMO held three public workshops on 8 November 2011, 21 November 2011 and 30 November 2011 respectively to discuss the impact of RC\_2010\_11 on Market Procedures. Further details of the workshops, including preliminary versions of the Market Procedures are available on the following IMO Webpage: [http://www.imowa.com.au/mep\\_documents](http://www.imowa.com.au/mep_documents)

The new Market Procedure was also discussed at the 14 December RDIWG meeting. Further details of the discussion during the meeting is available on the following IMO Webpage: <http://www.imowa.com.au/RDIWG>

## **Request for public consultation**

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 **5:00pm on Monday 6 February 2012**.

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, Market Development  
PO Box 7096  
Cloisters Square, Perth, WA 6850  
Fax: (08) 9254 4399

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

The proposed new Market Procedure for Balancing Facility Requirements 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 new Market Procedure for Balancing Facility Requirements has been preliminarily reviewed as a whole by the IMO to ensure compliance of the Market Procedure with the relevant provisions in the:

- Market Rules (as proposed to be amended by RC\_2011\_10);
  - 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 new Market Procedure for Balancing Facility Requirements specify the technical and communication criteria that a Balancing Facility must meet.

The IMO considers that the steps are drafted in a way that does not change the operation of objectives of the Market Rules, but rather supplements the Market Rules by outlining the necessary processes to be followed by the IMO and Market Participants. As a result the IMO considers that the new Market Procedure, as a whole, is consistent with the Wholesale Market Objectives.