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## Wholesale Electricity Market – Procedure Change Proposal

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Procedure Change No: PC\_2010\_05

### Change requested by:

<b>Name:</b>	Greg Ruthven
<b>Phone:</b>	08-92544300
<b>Fax:</b>	08-92544399
<b>Email:</b>	greg.ruthven@imowa.com.au
<b>Organisation:</b>	IMO
<b>Address:</b>	Level 3, 197 St Georges Terrace, Perth, WA 6000
<b>Date submitted:</b>	15 November 2010
<b>Procedure change title:</b>	Changes to Reserve Capacity Performance Monitoring
<b>Market Procedure affected:</b>	Reserve Capacity Performance Monitoring

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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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The proposed amended Market Procedure for Reserve Capacity Performance Monitoring updates 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\_02: Correction of Chapter 4 minor, typographical and manifest errors.

The proposed amendments also reflect the IMO's new format resulting from its current Market Procedure Project, which includes the removal of unnecessary duplication of the Market Rules and inclusion of a process flow diagram for Reserve Capacity Performance Monitoring.

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

Further details of the specific proposed amendments are presented in Appendix 1.

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>

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 **Monday, 13 December 2010**.

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: General Manager 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 amended Market Procedure for Reserve Capacity Performance Monitoring 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 Market Procedure Reserve Capacity Performance Monitoring has been reviewed as a whole by the IMO to ensure compliance of the Market 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 proposed amended Market Procedure for Reserve Capacity Performance Monitoring describes the steps for conducting Reserve Capacity 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.

## APPENDIX 1: THE PROPOSED AMENDMENTS TO THE MARKET PROCEDURE: RESERVE CAPACITY PERFORMANCE

Step	Overview of proposed amendments	Recent Rule Changes that have affected this procedure
1.1.1	Changed the Market Rules reference from “4.27.42” to “4.27”	
1.2.1	Amended the sentence: “The purpose of the Procedure is to describe the steps for <del>performing</del> <u>conducting</u> the Reserve Capacity monitoring <del>obligations</del> <u>as</u> required under the Market Rules”.	
1.3.1(b)	Amended the sentence: “System Management <u>in testing facilities</u> ; and”	
1.4.1	Amended the sentence: “The <u>following IMO Market Procedures</u> are associated with this Procedure: a) <u>Certification of Reserve Capacity</u> ; and b) <u>Reserve Capacity Security</u> . <del>re are no other Market Procedures associated with this Procedure,”</del>	
1.5.1	Amended the sentence as follows, “ <del>In this Procedure, unless the contrary intention is expressed, the conventions specified in clauses 1.3-1.5 of the Market Rules apply. The following additional clarifications are noted:</del> a) <del>terms used in this Procedure have the same meaning as those given in the Market Rules;</del> b) <del>to the extent that this Procedure is contrary or inconsistent with the Market Rules, the Market Rules shall prevail to the extent of the inconsistency;</del> c) <del>a reference to the Market Rules or Market Procedures includes any associated forms required or contemplated by the Market Rules or Market Procedures; and</del> d) <del>words expressed in the singular include the plural or vice versa.</del>  Steps e) through h) were replaced with numbers 1 through 4.	
2	Added the sentence, “ <u>This section outlines the procedure steps associated with the Reserve Capacity Monitoring Process. The diagram on the next page gives an overview of the process. Details of certain associated sections of this Procedure are also indicated</u> ”  Also incorporated a process flow diagram outlining the Reserve Capacity Performance Monitoring process.	RC_2009_19
2.1.1	Amended the step as follows: “The IMO must monitor <del>on a daily basis</del> <u>daily</u> in accordance with clause 4.27.1.”	

Step	Overview of proposed amendments	Recent Rule Changes that have affected this procedure
	<p><del>The total available capacity should equal <b>[MR 4.27.1]</b>:</del></p> <ul style="list-style-type: none"> <li><del>a) the total Capacity Credits held by Market Participants on that day; less</del></li> <li><del>b) the maximum amount of capacity unavailable at any time due to Planned Outages.”</del></li> </ul>	
2.1.2	<p>Amended the step as follows: “By the <del>twenty</del> fifth Business <del>D</del> day of each month... The Capacity Credits referred to in step 2.1.2 relates to both Forced and Planned Outages.”</p>	RC_2009_19
2.1.4	<p>Amended the step as follows: “...then the IMO must require <del>reports to be filed by these Market Participants to fill out a report (“The Reserve Capacity Performance Report”) for holding Capacity Credits for each Facility holding Capacity Credits</del> which <b>[MR 4.27.3]</b>:...”</p>	
2.1.5	<p>Amended the step as follows: “If the IMO determines that a report is required <del>in accordance with this Market Procedure it must notify by a the Market Participant in accordance with step 2.1.5, then</del> within 5 Business Days. <del>The IMO must notify the Market Participant requesting that a report be provided in accordance with this Market Procedure, and in accordance with clause 4.27 of the Market Rules.”</del></p>	
2.1.6	<p>Amended the step as follows: “The <del>a</del> Reserve Capacity Performance Report described in step 2.1.4<del>5</del> must include the information listed in section 2.3 of the Market Procedure and must be provided to the IMO <b>[MR 4.27.4]</b> (see section 2.3):</p> <ul style="list-style-type: none"> <li><del>a) A request for explanations of all Planned Outages taken by the Facility in the preceding 12 month calendar months <b>[MR 4.27.4(a)]</b>;</del></li> <li><del>b) A request for a statement of the expected maximum number of days of Planned Outages to be taken by the Facility in each of the next 24 months commencing from the month in which the report is requested, including adequate explanation to make clear the reason for each Planned Outage <b>[MR 4.27.4(b)]</b>;</del></li> <li><del>c) A request for measures proposed by the Market Participant to increase the availability of the Facility <b>[MR 4.27.4(c)]</b>;</del></li> <li><del>d) A request for other information as appropriate; and</del></li> <li><del>e) A time by which the report is required to be submitted, which must be set in accordance with step 2.1.8”</del></li> </ul> <p>A Market Participant must provide a Reserve Capacity Performance Report described in step 2.1.5, to the IMO in a format specified in the section 2.3 within 20 Business Days of being requested to do so <b>[MR 4.27.5].”</b></p> <p>Note that as agreed at the Working Group meeting, this combines the previous steps 2.1.7 and 2.1.8</p>	RC_2010_02

Step	Overview of proposed amendments	Recent Rule Changes that have affected this procedure
2.1.8	Amended the step as follows: “ <del>The IMO at its sole discretion may limit the number of days of Planned Outages in each of the next 24 months. If if the IMO considers the number of days reported in accordance with step 2.1.7b) reported to be unjustified based on good industry practice, it may at its sole discretion limit the number of days on which Planned Outages. The level of Planned Outages are to be taken by the Facility in each of the next 24 months will be to the level determined to represent Good industry practices for the purposes of step 2.1.10. The IMO and must notify the Market Participant who filed the report described in step 2.1.4, 2.1.5 of the limit [MR 4.27.7].</del> ”	RC_2010_02
2.1.9	Amended the step as follows: “If the IMO limits the number of days in accordance with step <del>2.1.9</del> 2.1.10, then the modified value is to <del>supersede</del> <u>supersedes</u> the corresponding value specified in the report <del>described in step 2.1.7</del> [MR 4.27.8].”	RC_2010_02
2.1.10b)	Amended sub-step as follows: “ <del>during the 12 months commencing from the first Trading Day of the following month,</del> cease to adjust Reserve Capacity Obligation Quantities for 12 months commencing on the first trading day of the following month under clause 4.12.6(b) of the Market Rules in response to Planned Outages for Facilities:  i) referred to in step <del>2.1.5</del> 2.1.4; and  ii) <del>for which where</del> the number of days of Planned Outage during that 12 month period has exceeded the total number of days of Planned Outage predicted for that 12 month period in accordance with step <del>2.1.73.4b)(c) as and modified by step 2.1.11</del> 2.1.9.”	
2.2	Amended the sentence, “Steps to be under taken by Market <del>p</del> Participants if issued with a request for a Reserve Capacity Performance Report”	
2.3.4	Amended the sentence, “a) Section 1 – <del>D</del> details of the Facility as appropriate;”  Also included a “Date” in the Declaration figure.	
2.4	Amended the section as follows: “Note: that the disincentive for being late with a <del>f</del> Facility is that the Market Participant operating the <del>f</del> Facility will have to refund Reserve Capacity payments in accordance with clause 4.26 of the Market Rules until the Facility is operating and if the <del>f</del> Facility is too late, it can lose its Reserve Capacity Security Deposit <u>under clause 4.13.11A.</u> ”	
2.4.1	Amended the step as follows: “Progress reports must be submitted by Market Participants with Facilities that are yet to commence operation at least once every three months between the date the Capacity Credit is	RC_2010_02

Step	Overview of proposed amendments	Recent Rule Changes that have affected this procedure
	<p><del>confirmed under clause 4.20 and the date the Facility commences operation Market Participants holding Capacity Credits for Facilities that are yet to commence operation must file a report on progress with the IMO at least once every three months between the date the Capacity Credit is confirmed under clause 4.20 of the Market Rules and the date that Facility commences operation. [MR 4.27.10].</del></p>	
2.4.2	<p>Amended the step as follows: <u>“In the calendar year in which all Commissioning Tests will be completed, Market Participants must file a progress report with the IMO at least once every month between the commencement of that calendar year and the date IMO has notified the Market Participant that the need to hold Reserve Capacity Security has ceased [MR4.27.10A].</u>  <u>The IMO must publish on its website (www.imowa.com.au) a copy of the Reserve Capacity Progress Report Template and Market Participants must use that template.”</u></p>	
2.4.3	<p>Amended the step to specify that <u>““The IMO must publish on its website (http://www.imowa.com.au/10_5_1_market_forms.htm) a copy of the Reserve Capacity Progress Report Template and Market Participants must use that template.”</u></p>	
2.4.4	<p>Amended the step as follows, <u>“On receiving a Reserve Capacity Progress Report, the IMO must determine if all details and information have been completed.</u>  <u>If the IMO determines that all appropriate information has not been completed, the IMO may contact the Market Participant and request further or clarifying information.”</u></p>	
2.4.5	<p>Amended the step as follows: <u>“If the IMO determines that the information provided by the Market Participant is insufficient, the IMO may contact the Market Participant and then request additional supporting information in accordance with clause 4.27.11D and section 2.5 of this Procedure.”</u></p>	RC_2010_02
2.4.7	<p>Amended the step as follows: <u>“The IMO must conduct an assessment and approve or not approve the current nominations for each date provided in the report in accordance with clause 4.27.11. The IMO must not approve a date which would prevent the IMO from assigning Certified Reserve Capacity [MR4.27.11A].</u>  <u>Once the IMO has determined that the report contains all relevant information, the IMO must make an assessment as to whether there are changes to the information listed in the Reserve Capacity Progress Report and if any changes impact on the likely progress of the Facility with respect to meeting any Reserve Capacity Obligations.”</u></p>	RC_2010_02
2.4.8	<p>Amended the step as follows: <u>“The IMO may consult with System Management as required regarding the Reserve Capacity Progress Report. In the calendar year in which all Commissioning Tests will be completed,</u></p>	

Step	Overview of proposed amendments	Recent Rule Changes that have affected this procedure
	<p><u>the IMO must consult with System Management in its assessment of the nominated commissioning date. The IMO must not approve the date if in System Management’s opinion; the Facility is unlikely to have completed all Commissioning Tests by that date [MR4.27.11B].”</u></p>	
2.4.9	<p>New step: <u>“If the IMO does not approve one or more of the dates, it must within ten Business Days from the date the report was submitted; notify the Market Participant of it’s decision and provide reasons why the dates have not been approved [MR4.27.11C].”</u></p>	
2.4.10	<p>New step as follows, <u>“The IMO may require the Market Participant to provide supporting evidence submitted by a suitable authorised person as specified in step 2.3.2, submit further reports or revise the dates [MR4.27.11D].”</u></p>	
2.4.11	<p>Amended the step as follows: <u>“The IMO may use the information contained in any Reserve Capacity Progress Report to:</u>  <u>2.4.9a) to determine the start date of any applicable Reserve Capacity Obligations associated with that Facility; and</u>  <u>2.4.10b) The IMO may use the information contained in any Reserve Capacity Progress Report to trigger a Reserve Capacity Test under section 4.25 of the Market Rules (if appropriate).”</u></p>	
2.5.1	<p>Amended the step as follows: <u>“Market Participants holding Capacity Credits for Facilities that are yet to commence operation must file a report on progress with the IMO at least once every three months between the date the Capacity Credit is confirmed under clause 4.20 of the Market Rules and the date that Facility commences operation. Progress reports must be submitted by Market Participants with Facilities that are yet to commence operation at least once every three months between the date the Capacity Credit is confirmed under clause 4.20 and the date the Facility commences operation [MR 4.27.10].”</u></p>	
2.5.4	<p>Amended the step as follows: <u>“The Reserve Capacity Progress report must be signed by an appropriately authorised person as specified in step 2.3.2”.</u></p>	
2.5.5	<p>Amended the step as follows: <u>“The IMO may contact the Market Participant and request additional supporting information as per step 2.6....”</u></p>	
2.6.1	<p>Amended the step as follows, <u>“The IMO may request additional information, in accordance with clause 4.27.11D of the Market Rules, to complete its assessment of whether a Facility will be able to fully meet its Reserve Capacity Obligations by a nominated date [MR4.27.11D].”</u></p>	RC_2010_02



Step	Overview of proposed amendments	Recent Rule Changes that have affected this procedure
2.6.5	Amended the step as follows, “The IMO may request additional information, evidence or clarification in respect of the information provided in accordance with step 2.6.3 <del>and</del> <u>of</u> this Procedure.	
2.6.9	Amended the step as follows, “If the IMO does not approve the nominated date, the date will be <del>30 November 1</del> <u>October</u> in Year Three of the applicable Reserve Capacity Cycle.”	RC_2009_11