
Wholesale Electricity Market – Procedure Change Proposal

Procedure Change No: PC_2011_01

Change requested by:

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| Organisation: | IMO |
| Address: | Level 3, 197 St Georges Terrace, Perth, WA 6000 |
| Date submitted: | TBA |
| Procedure change title: | Revocation of Market Procedure: Procurement of Network Control Service |
| Market Procedure affected: | Procurement of Network Control Service |

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.

Details of Procedure Change Requested

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

The IMO recently published its Final Rule Change Report for the Rule Change Proposal: Removal of Network Control Services expression of interest and tender process from the Market Rules (RC_2010_11)¹.

This Rule Change Proposal:

- removed the NCS expression of interest, tender and contracting processes from the Market Rules to allow a Network Operator to undertake these processes under the regulatory oversight of the Economic Regulation Authority; and
- removed any potential cross subsidies from NCS energy payments associated with System Management issuing instructions under a NCS to either a generation or Demand Side Management Facility.

The Market Procedure: Procurement of Network Control Service (Market Procedure) was originally required under clause 5.3.9 of the Market Rules. As a consequence of RC_2010_11 (which removes the heads of power for the Market Procedure) the IMO proposes to revoke the Market Procedure in its entirety. This is because the process will no longer be an IMO responsibility (as this is being transferred to the Network Operator) and the Market Procedure is therefore redundant.

This proposed procedure change “Revocation of Market Procedure: Procurement of Network Control Service” revokes the Procurement of Network Control Service Market Procedure (Market Procedure) in its entirety.

¹ For more information see: www.imowa.com.au/RC_2010_11

The proposed procedure change was discussed by the IMO Market Procedures Working Group at the 2 February 2011 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 **Thursday, 28 April 2011**.

The IMO prefers to receive submissions by email to 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

2. Provide the wording of the Procedure

The IMO proposes to revoke the Market Procedure in its entirety. For completeness, the original Market Procedure has been provided as an attachment to this proposal.

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

As RC_2010_11 removes the heads of power for this Market Procedure, this proposed procedure change ensures consistency with the requirements of the:

- Market Rules (i.e. the Market Rules no longer require a Market Procedure);
- Electricity Industry Act; and
- Regulations.

4. Describe how the proposed changes to the Market Procedure would be consistent with the Wholesale Market Objectives

The proposed procedure change does not affect the Wholesale Market Objectives. The proposed procedure change simply revokes a document that is no longer required or has a heads of power in the Market Rules.