
Wholesale Electricity Market – Procedure Change Proposal

Procedure Change No: PC_2012_03

Change requested by:

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Procedure change title:	New Market Procedure for Balancing Market Forecasts
Market Procedure affected:	Market Procedure for Balancing Market Forecasts

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:

Background

The Rule Change Proposal: Balancing and Load Following Ancillary Services (RC_2011_10)¹ 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)². 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 Market Forecasts 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 Market Forecasts in tandem with the rule change in this case.

¹ For further details refer to the following webpage: www.imowa.com.au/RC_2011_10

² For further details refer to the following webpage: www.imowa.com.au/PC_2011_07

Proposed New Market Procedure

The proposed new Market Procedure for Balancing Market Forecasts has been developed in accordance with the relevant heads of power provided under clause 7A.3.18. The new Market Procedure will support the determination and publication of the Balancing Forecast by the IMO, including outlining the information requirements from System Management to enable the Forecast Balancing Merit Order (BMO) and Balancing Forecast to be prepared. The information provided under the new Market Procedure will be taken into account by Market Participants in the preparation of their Balancing Submissions.

In particular the Market Procedure will describe the processes which the IMO will follow in:

- a) Preparing and providing the Forecast Balancing Merit Order (BMO) to System Management;
- b) Assigning priority to Facilities in the case where there is a tie in the Forecast BMO; and
- c) Preparing and publishing, for each Trading Interval of the Balancing Horizon, forecasts of:
 - i) the Relevant Dispatch Quantity;
 - ii) the aggregate output of all Non-Scheduled Generators;
 - iii) the Balancing quantities expected to be provided by each Market Participant;
 - iv) anonymous aggregate price-quantity supply curves; and
 - v) the expected Balancing Price.

The Market Procedure will apply to the IMO in determining the Forecast BMO, Balancing Forecast and the Balancing quantities expected to be provided by each Market Participant, and System Management in relation to the information it must provide to enable the Forecast BMO and Balancing Forecast to be prepared.

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

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 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

2. Provide the wording of the Procedure

The proposed new Market Procedure for Balancing Market Forecasts is 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

The proposed new Market Procedure for Balancing Market Forecasts 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_10³);
- Electricity Industry Act; and
- Regulations.

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 Market Forecasts outline how the IMO will determine and publish Balancing Forecasts.

³ The IMO notes that the Market Procedure for Balancing Market Forecasts has been developed based on the proposed Amending Rules presented in the Draft Rule Change Report for RC_2011_10. Any further changes to the Amending Rules made in the Final Rule Change Report will be incorporated by the IMO into the Market Procedure.

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. As a result the IMO considers that the new Market Procedure, as a whole, is consistent with the Wholesale Market Objectives.