**Procedure Change Report
Ref: PPCL0004
Title: Ancillary Services**

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INTRODUCTION

This document is the Procedure Change Report for the System Management proposed amendments to the Power System Operating Procedure: Ancillary Services.

- This proposal was first published on the IMO website on 14 January 2009.
- A request for submissions to the proposal was published on 15 January 2009 with a deadline of 12 February 2009.
- This Procedure Change Report is submitted to the IMO for publication on 3 March 2009.
- This proposed amended procedure is to commence at 8 am on 1 April 2009.
- Commencement is pending approval by the IMO. Market Rule 2.10.14 requires the IMO to make its decision within 10 Business days of this Report being published.

THE WORDING OF THE AMENDMENT TO THE POWER SYSTEM OPERATING PROCEDURE

The amended procedure is attached to this Report.

THE REASON FOR THE AMENDMENT TO THE POWER SYSTEM OPERATING PROCEDURE

The Power System Operation Procedures were originally prepared prior to the commencement of the Electricity Market. Now with several years experience in performing market functions, System Management has taken the opportunity to initiate a review process with the objective of amending the procedures to more accurately reflect System Management's performance of its functions.

In addition, the original Power System Operation Procedures included significant overlaps with the Market Rules and also attempts to paraphrase Rule requirements.

Consequently, System Management has reviewed the operation of PSOP: Ancillary Services and amended it to better reflect both the performance of market functions and changes to the Market Rules which have occurred since the commencement of the Market on 21 September 2006. The amendments have been subject to public consultation, consultation within the System Management Power System Operation Procedure Working Group (constituted under the auspices of the MAC) and with the Independent Market Operator.

It is the view of System Management that the amended procedure represents both a consensus outcome and a procedure which is consistent with the requirements of the Market Rules.

AMENDMENT TO THE POWER SYSTEM OPERATION PROCEDURE FOLLOWING PUBLIC CONSULTATION

System Management has incorporated several minor amendments within this Power System Operation Procedure following the conclusion of the public submission period.

These amendments address issues which were identified during the public consultation process. System Management believes the amendments (underlined) made in section three and 6.4.3 more closely reflects the substance of the Market Rules. These amended sections state:

Section 3
This Procedure documents the processes defined in the Market Rules **[MR 3.11.14]**:

       a. *determining Ancillary Service Requirements;*
       b. *preparing budget proposals for providing Ancillary Services; and*
       c. *entering into Ancillary Service Contracts, including the process for conducting competitive tender processes for the awarding of such contracts.*

Section 6.4.3
"System Management may recommend to the IMO one or more actions to improve the situation described in section 6.4.3 of this Procedure…."

System Management believes that the amendments do not have a significant impact on the substance of the Power System Operation Procedure, nor do they necessitate a further period of consultation.

SUBMISSION

System Management received one submission from Landfill Gas and Power regarding this procedure. The submission provides the following view:

> *"LGP accepts in good faith System Management's statement that the amended procedure represents both a consensus outcome of the System Management Power System Operation Procedure Working Group (constituted under the auspices of the MAC) and is consistent with the Market objectives.*

> *However, we also note that the supporting documentation for the Procedure Change Proposal gives no indication of the specific changes made or the reasons for them. Instead, a replacement procedure is specified and the documentation is silent on the outgoing procedure. On this basis, we suggest that the format is not conducive to broader consultation and the legitimacy of the consultation process is constrained. In particular, it is inappropriately difficult to discern the procedure itself from the changes supposedly under review. We suggest that a more practicable format would follow more closely that of the market Rule Change process."*

System Management notes the views expressed by LGP. On this occasion the extensive proposed changes to the Procedure were not separately identified in "track changes". Nevertheless, System Management initiated a detailed "walk through" of the proposed amendments with the Working Group.

THE MARKET ADVISORY COMMITTEE

The Market Advisory Committee (MAC) did not meet regarding this procedure change proposal.

However, the SM Procedure Change Working Group did discuss the procedure change and made recommendations on 4 November 2008. All recommendations made by the Working Group were adopted.

IMPLEMENTATION

System Management recommends this amended procedure commence at 8 am 1 April 2009.

The above date, in System Management's opinion, allows sufficient time after the date of publication of the IMO's approval of the Procedure Change Proposal under clause 2.10.12, for Rule Participants to implement changes required by this Proposal.

Commencement is pending approval by the IMO. Market Rule 2.10.14 requires the IMO to make its decision within 10 Business days of this Report being published. This decision will include the final commencement date.