



**Independent Market Operator**

**The IMO's Decision on  
Procedure Change Proposal**

**Title: Ancillary Services**

**Ref: PPLC0004**

**Date: 17 March 2009**

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## INTRODUCTION

On 14 January 2009, the Independent Market Operator (IMO) published a Procedure Change Report from System Management regarding proposed amendments to the Power System Operating Procedure: Ancillary Services.

Clause 2.10.14 of the Wholesale Electricity Market Rules (Market Rules) requires the IMO to make a decision as to whether to approve a Procedure Change Proposal published by System Management, within 10 Business Days of a Procedure Change Report being published.

This document, containing the IMO's decision on the Procedure Change Proposal "Power System Operating Procedure: Ancillary Services", PPLC0004, is published as required under clause 2.10.15 of the Market Rules.

## THE IMO'S ASSESSMENT

IMO has assessed the proposed procedure changes contained in the Procedure Change Report and decided to approve the amendments to the procedure as proposed by System Management.

## THE IMO'S REASONS

The IMO has decided to approve the amendments to the procedure, as proposed by System Management, based on the IMO's assessment that the proposed changes are consistent with the Wholesale Market Objectives, the Market Rules, the *Electricity Industry Act 2004* and regulations made under the *Electricity Industry Act 2004*.

The Ancillary Services Procedure was originally prepared prior to the commencement of the Wholesale Electricity Market (WEM). Consequently, System Management submitted that the amendments to the procedure were required to more accurately reflect System Management's performance of its functions and changes to the Market Rules which have occurred since commencement of the WEM on 21 September 2006.

The IMO considers that updating the Market Procedure ensures compliance with the Market Rules and greater transparency in System Management's performance of its required functions. The IMO therefore considers that the amendments to the procedure are consistent with the Wholesale Market Objectives.

In making its decision the IMO has also noted the process involved in producing the amended procedure:

- The amended procedure was developed in conjunction with the System Management Power System Operation Procedure Working Group (Working Group). This Working Group, consisting of Rule Participants, was appointed by the Market Advisory Committee (MAC) to assist System Management in considering, assessing and developing changes

to the System Management Market Procedures. At the 4 November 2008 meeting, the Working Group proposed the following amendments to the procedure, as originally proposed by System Management:

- Section 7.1.4: Removal of “...(with the exception of year 1 when transitional arrangements apply).”
  - Section 7.3.3: A change of wording from “should” to “must”. System Management agreed for the paragraph to read “The request for tenders must be accompanied by:”
  - Section 7.3.4: Inclusion of an additional point which outlines System Management must develop and maintain internal procedures governing competitive tenders.
  - Section 8.2.1: System Management to consider including Market Rules extract
  - Section 8.3.2: System Management need to determine what normal industry practice is for “High Risk”. The working group suggested that it may be pertinent to propose a rule change to better define high risk rather than making this amendment to the operating procedure
- System Management amended the sections as proposed by the Working Group. The changes were distributed to Working Group members for review out of session. No further changes were suggested. Therefore System Management proceeded to submit a formal Procedure Change Proposal.
  - Following the publication of the Procedure Change Proposal on the IMO website on 14 January 2009, the proposal was subject to a 20 day public submission period. One submission was received from Landfill Gas and Power (LGP) during this period. In their submission, LGP stated that they accepted in good faith that the amended procedure represented a consensus outcome of the Power System Operation Procedure Working Group and was consistent with the Market Objectives. LGP did not suggest any further amendments to the procedure as proposed by System Management.
  - Further suggestions to ensure that the proposed changes were consistent with the Market Rules were made informally by the IMO and incorporated into the final amended procedure submitted by System Management. In particular the IMO suggested amendments to:
    - correct the reference outlining the scope of the procedure to MR3.11.14 and not MR3.11.4;
    - ensure the scope of the procedure covers preparing Budget Proposals for providing Ancillary Services, as defined in MR3.11.14; and
    - correct the reference in section 6.4.4 to section 6.4.3 and not 6.3.4 of the procedure.

## COMMENCEMENT

This amended Market Procedure will commence at 08.00am on 1 April 2009.