

ELECTRICITY INDUSTRY ACT 2004

ELECTRICITY INDUSTRY (WHOLESALE ELECTRICITY
MARKET) REGULATIONS 2004

WHOLESALE ELECTRICITY MARKET RULES

Market Procedure for:
Reserve Capacity Performance
Monitoring

Version 2

Commencement: This Market Procedure is to have effect from 8:00am (WST) on the xx/yy/2008. ~~same date as the Wholesale Electricity Market Rule, in which this procedure is made in accordance with, commences.~~

Market Procedures Published by the Minister

I, FRANCIS LOGAN, Minister for Energy for the State of Western Australia, under regulation 9(2) of the Electricity Industry (Wholesale Electricity Market) Regulations 2004 hereby approve the publication of the Reserve Capacity Performance Monitoring Procedure contained in this document.

This Market Procedure is to have effect from 8:00am (WST) on the same date as the Wholesale Electricity Market Rule, in which this procedure is made in accordance with, commences.

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Dated at Perth this day of2006.

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1. Procedure for Reserve Capacity Performance Monitoring

The Procedure for Reserve Capacity Performance Monitoring describes the steps to be taken by the IMO, System Management and Market Participants performing the Reserve Capacity monitoring obligations required under the Wholesale Electricity Market Rules (Market Rules).

This procedure is made in accordance with Market Rule 4.27.12.

1.1. Interpretation

- 1 In this procedure, unless the contrary intention is expressed:
 - (a) terms used in this procedure have the same meaning as those given in the Wholesale Electricity Market Rules (made pursuant to Electricity Industry (Wholesale Electricity Market) Regulations 2004);
 - (b) 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;
 - (c) a reference to the Market Rules or Market Procedures includes any associated forms required or contemplated by the Market Rules or Market Procedures; and
 - (d) words expressed in the singular include the plural or vice versa.

1.2. Glossary and Defined Terms used in this Procedure

- 1 **Good Industry Practice** means the exercise of that degree of skill, diligence, prudence and foresight that a skilled and experienced person would reasonably and ordinarily exercise under comparable conditions and circumstances consistent with applicable written laws and statutory instruments and applicable recognised codes, standards and guidelines.
- 2 **Reserve Capacity Performance Report** means a report provided by a Market Participant at the Request of the IMO for the purposes of Reserve Capacity Monitoring.
- 3 **Reserve Capacity Progress Report** means a report provided by a Market Participant in respect of a Facility that is yet to enter Service and provided for the purpose of Reserve Capacity progress monitoring.

1.3. Purpose

- 1 The purpose of this procedure is:

- (a) To describe the steps that the IMO must take in fulfilling the Reserve Capacity Performance Monitoring functions under the Market Rules; and
- (b) To describe the steps that Market Participants must follow in fulfilling the Reserve Capacity Performance Monitoring functions under the Market Rules.

1.4. Application

1 This procedure applies to:

- (a) The IMO in conducting Reserve Capacity Performance Monitoring
- (b) Market Participants in complying with Reserve Capacity Performance requirements.

1.5. Overview of Reserve Capacity Performance Monitoring Procedure

The performance monitoring functions of the Market Rules of existing facilities relates to the overall performance of the market with respect to Planned Outages. The rules define a trigger that if exceeded, leads to tighter standards of performance for facilities that are taking an unreasonable amount of Planned Outages. The concept is that facilities that require a large amount of Planned Outage time are not affected if the system as a whole is performing satisfactorily. But if the system as a whole is failing to have adequate capacity available then the increased performance requirements indicates a need to spend more on existing plant to keep them available, or to replace them with newer plant.

With regard to facilities under development, the monitoring is restricted to ensuring that the facility will be available when expected, and if not, to forecast when it will be ready and, if required, to take mitigating actions.

If the Market as a whole performs poorly with respect to Reserve Capacity then those who perform poorly will be required to state their expected Planned Outages for the next year, and will need to have this figure approved by the IMO. Note though, that this has nothing at all to do with scheduling outages with System Management, it is simply an indication of how much Planned Outage that facility expects to take. If the facility takes more Planned Outages then those outages will be treated like Forced Outages for the purpose of settlement of Reserve Capacity. Again, this does not change their official status as Planned Outages. For facilities that have yet to commence operation, no payments will be made until the commencement of operation.

1.6. Procedure Steps to be followed by the IMO to Perform Reserve Capacity Monitoring

- 1 The IMO must monitor the total availability of capacity in the SWIS on a daily basis. The total available capacity should equal (Market Rule 4.27.1):
 - (a) the total Capacity Credits held by Market Participants on that day; less
 - (b) the maximum amount of capacity unavailable at any time due to Planned Outages.
- 2 By the fifth Business Day of each month, the IMO must assess the number of days in the preceding 12 calendar months where the total available capacity in the SWIS dropped below 80% (during the Hot Season), and 70% (in either the Intermediate Season ~~Shoulder Demand~~ or Cold-Cool Season), of the total Capacity Credits held by Market Participants for more than six hours on the day. (Market Rule 4.27.2).
- 3 The Capacity Credits referred to in Procedure Step 1.6.2 relates to both forced and planned outages.
- 4 The IMO may use the WEMS to conduct the Reserve Capacity Monitoring process in Procedure Steps 1.6.1 and 1.6.2
- 5 If the number of days determined in accordance with Procedure Step 1.6.2 exceeds 40, then the IMO must require reports to be filed by those Market Participants holding Capacity Credits for each Facility which (Market Rule 4.27.3.):
 - (a) has been unavailable due to Planned Outages for more than 1000 hours during the preceding 12 calendar months; and
 - (b) has not been included in such a report during the preceding 12 calendar months.
- 6 If the IMO determines that a report is required by a Market Participant in accordance with Procedure Step 1.6.5, then within 5 Business Days, the IMO must notify the Market Participant requesting that a report be provided in accordance with this Market Procedure, and in accordance with Market Rule 4.27.
- 7 The request for a Reserve Capacity Performance Report described in Procedure Step 1.6.5 must include (Market Rule 4.27.4) (see Procedure Section 1.8):
 - (a) A request for explanations of all Planned Outages taken by the Facility in the preceding 12 calendar months (Market Rule 4.27.4a);
 - (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(Market Rule 4.27.4b);

- (c) A request for measures proposed by the Market Participant to increase the availability of the Facility (Market Rule 4.27.4c);
 - (d) A request for other information as appropriate; and
 - (e) A time by which the report is required to be submitted, which must be set in accordance with Procedure Step 1.6.8 below.
- 8 A Market Participant must provide a Reserve Capacity Performance Report described in Procedure Step 1.6.5, to the IMO in a format specified in the Procedure Section 1.8 within 20 Business Days of being requested to do so (Market Rule 4.27.5).
- 9 The IMO must consult with System Management on the implications of a Reserve Capacity Performance Report. (Market Rule 4.27.6)
- 10 If the IMO considers the number of days reported in accordance with Procedure Step 1.6.7(b) to be unjustified based on good industry practice, it may, at its sole discretion limit the number of days on which Planned Outages are to be taken by the Facility in each of the next 24 months to the level determined to represent Good Industry Practices for the purposes of Procedure Step 1.6.11 and 1.6.12 and must notify the Market Participant who filed the report described in Procedure Step 1.6.5 of the limit. (Market Rule 4.27.7)

Note: The limit is NOT on the number of days that planned outages can occur, but on the number of days that planned outages can be taken while being exempt for Capacity Credit Refund payments (and only when clause 4.27.9 applies) This section is not intended to restrict the ability of a market participant to request a planned outage.

- 11 If the IMO limits the number of days in accordance with Procedure Step 1.6.10, then the modified value is to supersede the corresponding value specified in the report described in Procedure Step 1.6.7. (Market Rule 4.27.8)
- 12 If the number of days determined in accordance with Procedure Step 1.6.2 exceeds 80, then the IMO must (Market Rule 4.27.9):
- (a) notify all Market Participants that this has occurred; and
 - (b) during the 12 months commencing from the first Trading Day of the following month, cease to adjust Reserve Capacity Obligation Quantities under Clause 4.12.6(b) of the Market Rules in response to Planned Outages for Facilities:
 - (i) referred to in Procedure Step 1.6.5; and
 - (ii) for which 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 Procedure Step 1.6.7(b), as modified by Procedure Step 1.6.11.

1.7. Procedure Steps to be Undertaken by Market Participants if issued with a Request for Reserve Capacity Performance Report

- 1 If a Market Participant is provided with a request for a Reserve Capacity Performance Report by the IMO, the Market Participant must:
 - (a) Provide a Reserve Capacity Performance Report to the IMO within 20 Business Days from the date the request is issued to the Market Participant (Market Rule 4.27.5).
 - (b) Provide the Reserve Capacity Performance Report using the format detailed in Section 1.8 of this Procedure.

1.8. Report format required in the case that a Market Participant is required to provide a Reserve Capacity Performance Report

Reports provided by Market Participants in accordance with Clause 4.27 of the Market Rules and in accordance with this Market Procedure must be provided using the format listed in the following Procedure Steps.

- 1 Reports provided in accordance with this Market Procedure must be provided by the Market Participant in writing.
- 2 Reports provided in accordance with this Market Procedure must be signed by a representative of the Market Participant's company who has appropriate authority. People with appropriate Authority include:
 - (a) The CEO;
 - (b) Any member of the Board;
 - (c) Member of the Senior Management Team with appropriate responsibility for electricity generation.
- 3 The Market Participant may contact the IMO if required to determine who may be an appropriate member to sign off on the Reserve Capacity Performance Report.
- 4 Sections to be included in the Reserve Capacity Performance Report include:
 - (a) Section 1 – Details of the Facility as appropriate;
 - (b) Section 2 - explanations of all Planned Outages taken by the Facility in the preceding 12 calendar months (Market Rule 4.27.4a);
 - (c) Section 3 - 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(Market Rule 4.27.4b);

- (d) Section 4 - measures proposed by the Market Participant to increase the availability of the Facility (Market Rule 4.27.4c);
- (e) Section 5 – other information as deemed appropriate by the Market Participant; and
- (f) Section 7 – Declaration including the following text:

<p>Declaration</p> <p>(This needs to be made by a person within your organisation with the appropriate level of authority, such as a Director or Company Secretary)</p> <p>On behalf of (<i>Company or business name</i>).....,</p> <p>I declare that the above information provided in respect to this RC Performance Report is accurate.</p> <p>Signed</p> <p>Person making declaration: Position held in company or business: Postal address: Phone: Email address: Fax no:</p>

1.9. Procedure Steps to be followed by the IMO in respect of Reserve Capacity Progress Reports

While the following procedure steps relate to facilities that are yet to enter service, they are included in this performance monitoring section as the IMO has to be able to monitor their performance in achieving the schedule in Clause 4.10.1(c)(iii) of the Market Rules.

Note that the disincentive for being late with a facility is that the market participant operating the 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 facility is too late, it can lose its Reserve Capacity Security Deposit.

- 1 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 (Market Rule 4.27.10).
- 2 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.
- 3 On receiving a Reserve Capacity Progress Report, the IMO must determine if all details and information have been completed.
- 4 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.
- 5 If the IMO determines that the information provided by the Market Participant is insufficient, the IMO may then request additional supporting information in accordance with clause 4.27.11D and Step 1.11 of this procedure.~~The report described in Procedure Step 1.9.1 must include the current revised estimates of each date to which clause 4.10.1(c)(iii) refers (4.27.11).~~
- 6 The report described in Procedure Step 1.9.1 must include the current revised estimates of each date to which clause 4.10.1(c)(iii) refers (4.27.11).
- 7 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.
- 8 The IMO may consult with System Management as required regarding the Reserve Capacity Progress Report.
- 9 The IMO may use the information contained in any Reserve Capacity Progress Report to determine the start date of any applicable Reserve Capacity Obligations associated with that Facility.

- 10 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).

1.10. Procedure Steps to be undertaken by the Market Participant for Reserve Capacity Progress Reports

- 1 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 (Market Rule 4.27.10).
- 2 Market Participants may provide the IMO with Reserve Capacity Progress Reports on a more frequent basis than is detailed in Procedure Step 1.10.1.
- 3 The report described in Procedure Step 1.9.1 must include the current revised estimates of each date to which clause 4.10.1(c)(iii) refers (4.27.11).
- 4 The Reserve Capacity Progress report must be signed by an appropriately authorised person.
- 5 The IMO may contact the Market Participant and request additional supporting information. The Market Participant must comply with such requests if made by the IMO.
- 6 Market Participants must provide the Reserve Capacity Progress report in the form specified by the IMO, which can be found on the IMO Website (www.imowa.com.au)

1.11. Supporting Evidence that the IMO may request from a Market Participant

- 1 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.
- 2 If the IMO requires additional information or evidence, it must notify the Market Participant in writing within 5 Business Days of receiving the progress report and list the information to be submitted to the IMO.
- 3 Supporting evidence that may be requested by the IMO may include, but not be limited to:
- (a) Network access agreements
 - (b) Local government approvals
 - (c) Evidence of execution of fuel supply and transport contracts
 - (d) Evidence of Financial Approvals
 - (e) Relevant Construction and Operational Licenses

- (f) Independent construction schedules for the plant, network and fuel supply facilities
- (g) Repair and/or rework schedules
- (h) Photographs of construction works
- (i) Evidence of Environmental Test completion
- (j) Evidence of network connection tests completion as indicated in the Network Access Code
- (k) Full load testing results
- (l) Practical completion certificates
- (m) Quality assurance certificates
- (n) Sign-off at an "Authorised" Level

4 The IMO may take whatever reasonable steps that are required to determine the accuracy of information provided to it under Step 1.11 and Step 1.12 of this procedure.

5 The IMO may request additional information, evidence or clarification in respect of the information provided in accordance with Procedure Step 1.11.3 and this Procedure.

6 Once the IMO has determined that the additional information provided is appropriate and relevant, the IMO must make an assessment as to whether the information may impact on the likely progress of the Facility with respect to meeting any Reserve Capacity Obligations and the nominated date for commencing the obligations.

7 The IMO may use the additional information to determine whether it should approve the start date of any applicable Reserve Capacity Obligations associated with that Facility.

8 If the IMO is not provided with the requested additional information from the Market Participant, the IMO may decide not to approve the nominated date for commencing the Reserve Capacity obligations.

9 If the IMO does not approve the nominated date, the date will be 30 November in Year Three of the applicable Reserve Capacity Cycle.

1.12. Procedure steps that are to be Undertaken by the Market Participant in response to a request by the IMO for additional supporting evidence

1 If a Market Participant is requested to provide additional information for the IMO's assessment of whether its facility will complete its Commission Tests by a nominated date, the Market Participant must provide the requested information to the IMO within 5 Business Days from the date the request is issued to the Market Participant.

- 2 The Market Participant may provide reasons to the IMO as to why any information or evidence cannot be provided by the requested time, however, failure to provide information or evidence may influence the IMO's ability to approve any nominated dates.
- 3 The letter providing the additional information must be signed by an appropriately Authorised person.
- 4 For the purposes of this procedure, an "Authorised" person is a Director or Officer as defined by the *Corporations Act 2001*.