



Independent Market Operator

Procedure Change Report

**Title: Market Procedure for
Reserve Capacity Security**

Ref: PC_2009_01

Date: 17 July 2009

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DOCUMENT DETAILS

IMO Notice No.: PC_2009_01

Report Title: Procedure Change Report: Market Procedure for Reserve Capacity Security

Release Status: Public

Confidentiality Status: Public domain

Published in accordance with Market Rule 2.10.12

Independent Market Operator

Level 3, Governor Stirling Tower

197 St George's Terrace, Perth WA 6000

PO Box 7096, Cloisters Square, Perth WA 6850

Tel. (08) 9254 4300

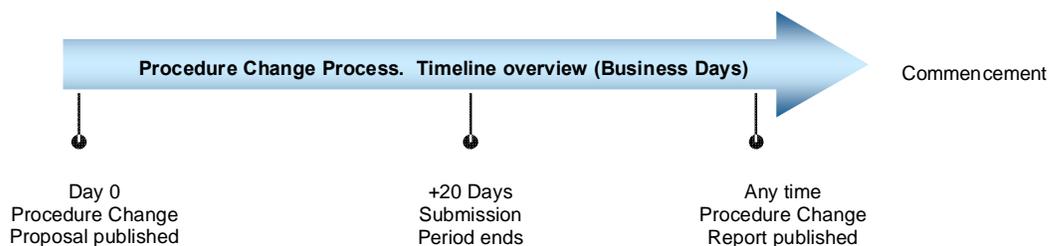
Fax. (08) 9254 4399

Email: imo@imowa.com.au

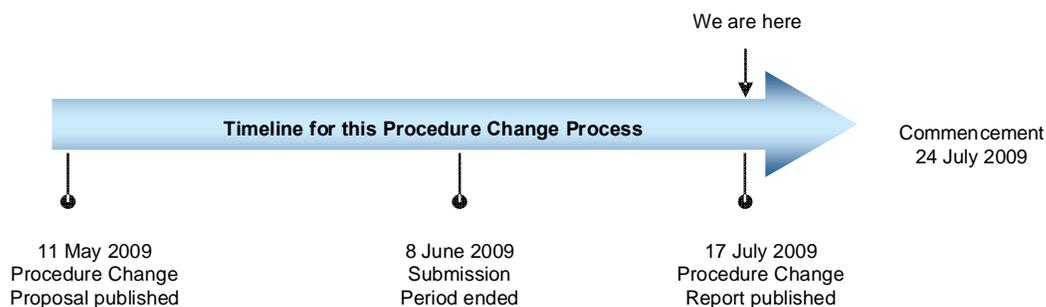
Website: www.imowa.com.au

1. INTRODUCTION

On 11 May 2009, the Independent Market Operator (IMO) published a Procedure Change Proposal titled "Market Procedure for Reserve Capacity Security". The proposal has been processed according to the Procedure Change Process under section 2.10 of the Wholesale Electricity Market Rules (Market Rules). This process adheres to the following timelines:



The key dates in processing this Procedure Change Proposal are:



This Procedure Change Report is published by the IMO in accordance with clause 2.10.12 of the Market Rules.

2. THE PROCEDURE CHANGE PROPOSAL

2.1 Details of the Proposal

The proposed new Market Procedure for Reserve Capacity Security details the process by which Market Participants holding Certified Reserve Capacity for Facilities, that are yet to commence operation, must submit Reserve Capacity Security, and how the IMO must assess and accept such Reserve Capacity Security.

In accordance with clause 4.13.8 of the Market Rules, the purpose of this proposed new procedure is to:

- (a) outline the processes for determining Reserve Capacity Security;

- (b) provide guidelines for assessing persons against the Acceptable Credit Criteria;
- (c) outline the details of Reserve Capacity Security arrangements, including:
 - the form of acceptable guarantees and bank undertakings;
 - the details surrounding the holding of cash deposits and their associated costs and fees; and
 - the application of monies drawn from Reserve Capacity Security in respect of amounts payable by the relevant Market Participants; and
- (d) provide relevant details on other matters relating to Reserve Capacity Security.

3. PUBLIC CONSULTATION PERIOD

3.1 Submissions received

The public submission period was between 12 May 2009 and 8 June 2009. The IMO did not receive any submissions.

4. ADDITIONAL AMENDMENT

The IMO has incorporated a minor amendment within the new Market Procedure to reflect an agreed change at the IMO Market Procedure Working Group (Working Group) meeting, held 25 March 2009, which had been unintentionally omitted from the public consultation version. In particular, the IMO amended section 1.14 to replace ~~reputable firm of solicitors~~ with ~~acceptable firm of solicitors~~.

The IMO considers that the amendment does not have a significant impact on the substance of the Market Procedure, nor does it necessitate a further period of public consultation. The IMO also notes that this amendment had been discussed and agreed by the Working Group.

5. THE IMO'S ASSESSMENT

In determining whether to accept the Procedure Change Proposal the IMO has assessed the Procedure Change Proposal in light of clauses 2.9.3 (a) and 2.10.13 of the Market Rules.

Market Rules 2.9.3.(a) outlines that Market Procedures must be:

- developed, amended or replaced in accordance with the process in the Market Rules;
- consistent with the Wholesale Market Objectives; and
- consistent with these Market Rules, the Electricity Industry Act and Regulations.

Additionally, clause 2.10.13 states that the Procedure Change Report prepared by the IMO must contain the following:

- the wording of the proposed Market Procedure or amendment to or replacement for the Market Procedure;
- the reason for the proposed Market Procedure or amendment to or replacement for the Market Procedure;
- all submissions received before the due date, a summary of those submissions and the response of the IMO or System Management, as applicable, to any issues raised;
- a summary of the views of the Market Advisory Committee (MAC); and
- a proposed date and time for the Market Procedure or amendment to or replacement to commence, which must allow sufficient time, in the IMO's opinion, after the date of publication for Rule Participants to implement changes required by it.

The IMO's assessment is outlined in the following sections.

5.1 Wholesale Market Objectives

In accordance with clause 2.9.3(a)ii. of the Market Rules, Market Procedures must be consistent with the Wholesale Market Objectives.

The IMO considers that the steps are drafted in such a way that does not change the operation or objectives of the Market Rules. In particular, the steps described in the proposed new Market Procedure for Reserve Capacity Security facilitates the processes by which Market Participants submit and the IMO assesses and accepts Reserve Capacity Security, as prescribed in the Market Rules.

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

5.1 Wholesale Market Rules, the Electricity Industry Act and Regulations

In accordance with clause 2.9.3(a)iii. of the Market Rules, Market Procedures must be consistent with the Market Rules, the Electricity Industry Act and Regulations.

The IMO considers that the new Market Procedure for Reserve Capacity Security is consistent, as a whole, with the Market Rules, the Electricity Industry Act and Regulations. The IMO also considers that the proposed new Market Procedure is consistent with all other Market Procedures.

5.2 Implementation of the new Market Procedure

In accordance with clause 2.10.13(e) of the Market Rules, when preparing a Procedure Change Report the IMO must propose a date and time for the Market Procedure or amendment or replacement to commence. This timeframe must, in the IMO's opinion, allow for sufficient time after the date of publication of the Procedure Change Report for Rule Participants to implement changes required by it.

The new Market Procedure for Reserve Capacity Security will not require Rule Participants or the IMO to implement any procedural or system amendments before it can commence. Consequently, the IMO considers commencement at 08.00am on 24 July 2009 will allow Rule Participants sufficient time from the date of publication of this Procedure Change Report to ensure compliance with the new Market Procedure for Reserve Capacity Security.

5.3 Views expressed in submissions

In accordance with clause 2.10.13.(c) of the Market Rules, when preparing a Procedure Change Report the IMO must provide:

- a summary of all submissions received before the due date; and
- the IMO's response, as applicable, to the issues raised in those submissions.

The IMO did not receive any submissions on the new proposed Market Procedure for Reserve Capacity Security.

5.4 Market Advisory Committee

In accordance with clause 2.10.13 (d) of the Market Rules, when preparing a Procedure Change Report the IMO must provide a summary of the views expressed by the MAC.

The MAC did not meet to discuss the proposed new Market Procedure as it had been discussed by the Working Group at the 25 March 2009 meeting. The Working Group is a group appointed by the MAC to consider IMO Market Procedures, if required.

The Working Group was in general support of the proposed new Market Procedure. They did however make a number of recommendations which were adopted by the IMO in the proposed new Market Procedure which was submitted into the Procedure Change Process. Further details of the agreed amendments to the Reserve Capacity Security Market Procedure are provided in Appendix 1.

Once the agreed changes had been made by the IMO the new proposed Market Procedure was submitted directly into the public consultation process.

After publishing the Procedure Change Proposal, the IMO invited all MAC members to contact the IMO if they considered the proposal to be significant enough to require convening the MAC. No MAC member contacted the IMO in this regard.

6. THE IMO'S DECISION

The IMO's decision is to accept the proposed new Market Procedure for Reserve Capacity Security as proposed in the Procedure Change Proposal and amended in section 4.

The IMO has made its decision on the following basis:

- The Market Procedure for Reserve Capacity Security:

- Had the support of the Working Group, a group of representatives nominated by the MAC to assist the MAC in advising the IMO;
- Is consistent with the Wholesale Market Objectives;
- Is consistent with the Market Rules, the Electricity Industry Act and Regulations; and
- There are no procedural or system changes required prior to implementation.

Additional detail outlining the analysis behind the IMO's reasons is outlined in section 5 of this Procedure Change Report.

7. THE NEW MARKET PROCEDURE

7.1 Commencement

The new Market Procedure for Reserve Capacity Security will commence at 08.00am on 24 July 2009.

7.2 The new Market Procedure

The wording of the new Market Procedure for Reserve Capacity Security, as proposed by the IMO and subsequently amended, is available on the IMO's website:

http://www.imowa.com.au/Attachments/MarketProcedures/ProcedureChange_2009_01.htm

8. GENERAL INFORMATION ABOUT PROCEDURE CHANGES PROPOSALS

The IMO or System Management, as applicable, may initiate a 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 Amending Rules require 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 of amendments to or replacement for Market Procedures so as to comply with the Amending Rules.

9. APPENDIX 1

At the 25 March 2009 meeting of the IMO Market Procedure Working Group, the following changes to the proposed new Reserve Capacity Security Market Procedure were discussed and agreed:

- Section 1.4.3 (d): amending to read ~~Other~~ matters relating to clause 4.13.3 ~~and through~~ to 4.13.7.
- Section 1.6.1: amending to read ~~Relevant~~ relevant Market Participant.
- Section 1.6.9 - 1.6.16: removing the section on notices as this is covered by the IMO's Notices and Communications Procedure.
- Section 1.7.2: amending to include cash deposits on special circumstances.
- Section 1.7.4: amending to read ~~in~~ a person or by courier.
- Section 1.7.5: clarifying the definition of an ~~Authorised~~ person.
- Section 1.7.7: amending the statement ~~the~~ Market Participant should ensure they are provided with a receipt ~~to ensure that it~~ reflects that the IMO will provide a receipt.
- Section 1.8.1: amending ~~must~~ to ~~may~~
- Section 1.8.3: amending to clarify that a completed Bank Undertaking is one that is in the form of the proforma provided on the IMO website.
- Section 1.8.5: amending the statement ~~the~~ Market Participant should ensure they are provided with a receipt ~~to ensure that it~~ reflects that the IMO will provide a receipt.
- Section 1.8.8: removing this section as it is redundant.
- Section 1.9.1: amending ~~must~~ to ~~may~~
- Section 1.9.3: amending to clarify that a completed Guarantee is one that is in the form of the proforma provided on the IMO website
- Section 1.9.5: amending the statement ~~the~~ Market Participant should ensure they are provided with a receipt ~~to ensure that it~~ reflects that the IMO will provide a receipt.
- Section 1.9.8: removing this section as it is redundant.
- Section 1.11.2: amending ~~must~~ to ~~may~~
- Section 1.11.4: amending to clarify that a completed Security Deposit Deed is one that is in the form of the proforma provided on the IMO website.
- Section 1.11.6: amending the statement ~~the~~ Market Participant should ensure they are provided with a receipt ~~to ensure that it~~ reflects that the IMO will provide a receipt.
- Section 1.11.9: removing this section as it is redundant.
- Section 1.11.13: amending the statement ~~the~~ Participant with the IMO's nominated ~~to~~ and replacing ~~the~~ form ~~with~~ ~~the~~ form.

- Section 1.11.14: amending to read %~~be~~ made to their_ nominated~~d~~ + to remove any ambiguity.
- Section 1.12.2: investigating the use of the word %~~obligation~~+ and amending the procedure if necessary.
- Section 1.12.5: amending the statement %~~the~~ Market Participant should ensure they are provided with a receipt+to ensure that it reflects that the IMO will provide a receipt.
- Section 1.12.7: deleting this clause as was originally intended by the IMO.
- Section 1.12.8: amending to read %~~N~~ominated Exchange Date+ and including details relating to electronic transfer.
- Section 1.13: reviewing and amending as appropriate this section in light of the agreed changes for section 1.7.
- Section 1.13.6: amending to read %~~step~~ 1.7+.
- Section 1.14.1: amending %~~Market Procedure~~ 1.14+to read %~~step~~ 1.14+.
- Section 1.14.4: amending to read %~~on the Business Day following the Business Day by the next Business Day~~ o +.
- Section 1.14.5: amending to read %~~these the steps in this~~ Market Procedures~~s~~ +.
- Section 1.16.3: amending to read %~~be~~ co-signed by the appropriately~~d~~ +.
- Section 1.16.4: amending to read %~~its~~ internal business handling procedures.+
- Section 1.17.2: amending to read %~~be~~ for the exchange transaction+.
- Section 1.17.3: clarifying that both representatives include the IMO and Market Participant