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## Wholesale Electricity Market – Procedure Change Proposal

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Procedure Change No: PC\_2010\_08

### Change requested by:

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<b>Date submitted:</b>	22 November 2010
<b>Procedure change title:</b>	New Market Procedure: Supplementary Reserve Capacity
<b>Market Procedure affected:</b>	Market Procedure: Supplementary Reserve Capacity [new]

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### 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.

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## Details of Procedure Change Requested

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### 1. Provide a reason for the proposed new, amended or replacement Market Procedure:

The proposed new Market Procedure for Supplementary Reserve Capacity (SRC) was developed to describe the process by which the IMO and System Management must follow in:

- acquiring Eligible Services,
- entering into Supplementary Capacity Contracts; and
- determining the maximum contract value per hour of availability for any Supplementary Capacity Contract.

The proposed amended Market Procedure was discussed by the IMO Market Procedures Working Group (Working Group) at the 13 August 2009, 22 April 2010 and 26 October 2010 meetings. Minutes from the meetings are available on the following webpage: <http://www.imowa.com.au/IMO-Procedures-Working-Group>. At the 26 October meeting, a number of issues were raised. The IMO committed to providing an update of these issues and its conclusions in the Procedure Change Proposal:

- **Step 2.2.2:** How the IMO would decide whether to tender or directly negotiate if the expected start date of the SRC shortfall is less than 12 weeks away. The IMO will consider a formal tender process if there is sufficient time and a number of potential providers of additional available capacity, otherwise the IMO will directly negotiate with potential suppliers.
- **Step 2.3.2:** Consideration for determining the Maximum Contract Value for load reduction Facilities using the Reserve Capacity Price (RCP) rather than the Value of Lost Load (VoLL). The IMO has decided to continue using VoLL, this is because the RCP is a reference based on constructing a generation facility rather than losing a load.
- **Steps 2.9.1 – 2.9.3:** The Working Group questioned whether the review steps in the Market Procedure were sufficiently broad. The IMO notes that clause the Market Procedure mirrors the review requirements set out in 4.24.19 of the Market Rules, which states that:

*Following each call for tenders for supplementary reserve capacity or otherwise acquiring Eligible Services, the IMO must review the Supplementary Reserve Capacity provisions of section 4.24 of the Market Rules with regard to the Wholesale Market Objectives and must undertake a public consultation process in respect of the outcome of the review.*

Please note that there may be further changes to this Market Procedure resulting from the Rule Change Proposal: Use of Forecasts in SRC Assessment ([http://www.imowa.com.au/RC\\_2010\\_35](http://www.imowa.com.au/RC_2010_35)). Any additional amendments will be included in the final version of this Market Procedure.

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## **2. Call for Submissions**

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 **Monday, 20 December 2010**.

The IMO prefers to receive submissions by email to [market.development@imowa.com.au](mailto: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: General Manager Development  
PO Box 7096  
Cloisters Square, Perth, WA 6850

Fax: (08) 9254 4399

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## **3. Provide the wording of the Procedure**

The proposed amended Market Procedure: Supplementary Reserve Capacity is provided as an attachment to this proposal.

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## **4. Describe how the proposed changes to the Market Procedure would be consistent with the Market Rules, the Electricity Industry Act and Regulations**

The proposed amended Market Procedure: Supplementary Reserve Capacity has been reviewed as a whole by the IMO to ensure compliance of the Market Procedure with the relevant provisions in the:

- Market Rules;
- Electricity Industry Act; and
- Regulations.

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**5. Describe how the proposed changes to the Market Procedure would be consistent with the Wholesale Market Objectives**

The steps described in the proposed amended Market Procedure: Supplementary Reserve Capacity outlines how the IMO will acquire, price and review the provision of SRC.

The IMO considers that the steps are drafted in a way that does not change the operation or objectives of the Market Rules.

As a result the IMO considers that the amended Market Procedure: Supplementary Reserve Capacity, as a whole, is consistent with the Wholesale Market Objectives.