

The background of the lower half of the page is a photograph of a wind farm and power lines, overlaid with a semi-transparent blue filter. On the left, several large white wind turbines are visible, their blades extending outwards. On the right, a tall, lattice-structured power transmission tower stands prominently. The overall scene is set against a clear sky.

Independent Market Operator

Procedure Change Report

**Title: Revocation of
Market Procedure for
Procurement of Network
Control Service**

Ref: PC_2011_01

Date: 13 June 2011

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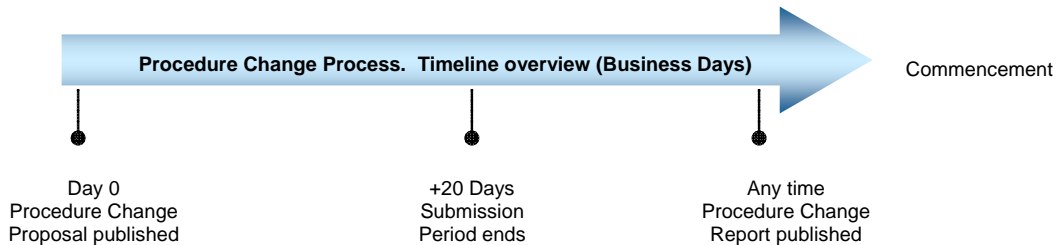
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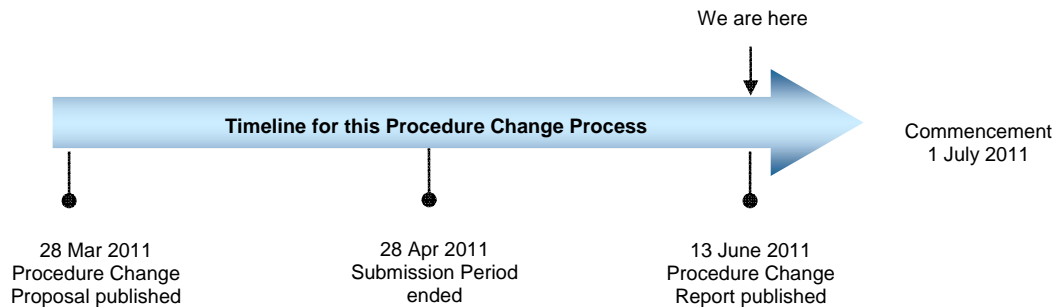
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1. INTRODUCTION

On 28 March 2011, the Independent Market Operator (IMO) published a Procedure Change Proposal titled "Revocation of Market Procedure: Procurement of Network Control Service". The proposal has been processed according to the Procedure Change Process under clause 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:



2. THE PROCEDURE CHANGE PROPOSAL

2.1 Details of the Proposal

The IMO notes in its Procedure Change Proposal that it recently published its Final Rule Change Report for the Rule Change Proposal: Removal of Network Control Services (NCS) expression of interest and tender process from the Market Rules (RC_2010_11)¹. This Rule Change Proposal:

- removed the NCS expression of interest, tender and contracting processes from the Market Rules to allow a Network Operator to undertake these processes under the regulatory oversight of the Economic Regulation Authority; and
- removed any potential cross subsidies from NCS energy payments associated with System Management issuing instructions under a NCS to either a generation or Demand Side Management Facility.

¹ For more information see: www.imowa.com.au/RC_2010_11

The Market Procedure: Procurement of Network Control Service was originally required under clause 5.3.9 of the Market Rules. As a consequence of RC_2010_11 (which removes the heads of power for the Market Procedure) the IMO proposed to revoke the Market Procedure in its entirety. This is because the process will no longer be an IMO responsibility (as this is being transferred to the Network Operator) and the Market Procedure is therefore redundant.

3. PUBLIC CONSULTATION PERIOD

3.1 Submissions received

The public submission period was between 29 March 2011 and 28 April 2011. The IMO received a submission from Landfill Gas & Power (LGP) during this period.

In its submission LGP supports the proposed amendment on the grounds that RC_2010_11 has rendered the Market Procedure redundant and removed the heads of power for its maintenance. LGP considers the revocation of the procedure is consistent with the Wholesale Market Objectives, and that to not revoke it would impair their integrity.

The full text of LGP's submission is available on the IMO Web Site.

4. THE IMO'S ASSESSMENT

In determining whether to accept the Procedure Change Proposal, the IMO has undertaken an assessment in light of clauses 2.9.3 (a) of the Market Rules. 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 the Market Rules, the Electricity Industry Act and Regulations.

Additionally, clause 2.10.13 of the Market Rules states that a Procedure Change Report prepared 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 if the MAC has delegated its role to consider the Procedure Change Proposal to a Working Group, a summary of the views expressed by that Working Group; 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 (clause 2.10.13).

4.1 Wholesale Market Objectives

Market Procedures must be consistent with the Wholesale Market Objectives (clause 2.9.3(a) ii). The IMO considers that the Market Procedure, as a whole, if amended will be consistent with the Wholesale Market Objectives.

Wholesale Market Objective	Consistent with objective
(a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system	Yes
(b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors	Yes
(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	Yes
(d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system	Yes
(e) to encourage the taking of measures to manage the amount of electricity used and when it is used	Yes

4.2 Wholesale Market Rules, the Electricity Industry Act and Regulations

The IMO considers that the revocation of Market Procedure for Procurement of Network Control Service is consistent, as a whole, with the Market Rules, the Electricity Industry Act and Regulations.

The IMO also considers that the Market Procedure is consistent with all other Market Procedures.

4.3 Views expressed in submissions

During the consultation period the IMO received one submission from LGP which supported the proposed amendment.

4.4 Implementation of the Market Procedure

The Market Procedure will not require Rule Participants or the IMO to implement any procedural or system amendments before it can commence. Consequently, the IMO considers that commencement at 8:00am on 1 July 2011 will allow Rule Participants sufficient time from the date of publication of this Procedure Change Report to ensure compliance with the revocation of the Market Procedure.



4.5 Views of the Market Advisory Committee or a Working Group delegated to consider the Procedure Change Proposal

The MAC has delegated the role of considering IMO Procedure Change Proposals to the IMO Procedure Change and Development Working Group (Working Group) (clause 2.3.17(a)). Therefore the MAC has not reviewed the Procedure Change Proposal. However, in accordance with clauses 2.10.8 and 2.10.9 the IMO notified the MAC once the Procedure Change Proposal had been published and noted that it would convene a meeting of the MAC to discuss should two or more members request it. No MAC member contacted the IMO in this regard.

The Working Group discussed the Procedure Change Proposal at its 2 February 2011 meeting. The Working Group agreed for the IMO to formally submit a Procedure Change Proposal which revokes this Market Procedure. No issues were raised by the Working Group.

5. THE IMO'S DECISION

The IMO's decision is to revoke the Market Procedure: Procurement of Network Control Services in its entirety, as proposed in the Procedure Change Proposal.

The IMO has made its decision on the basis that the revocation of the Market Procedure:

- is consistent with the Wholesale Market Objectives;
- is consistent with the Market Rules, Electricity Industry Act and Regulations;
- had the support of the Working Group; and
- requires no system changes prior to implementation.

Additional detail outlining the analysis behind the IMO's reasons is outlined in section 4 of this Procedure Change Report.

6. THE REVOKED MARKET PROCEDURE

6.1 Commencement

The revocation of the Market Procedure: Procurement of Network Control Services in its entirety will commence at 8.00am on 1 July 2011.

