



INDEPENDENT
MARKET
OPERATOR

Procedure Change Report

Title: Declaration of Bilateral Trades and the Reserve Capacity Auction

PC_2012_06
Procedure Change Process

Date: 22 February 2013

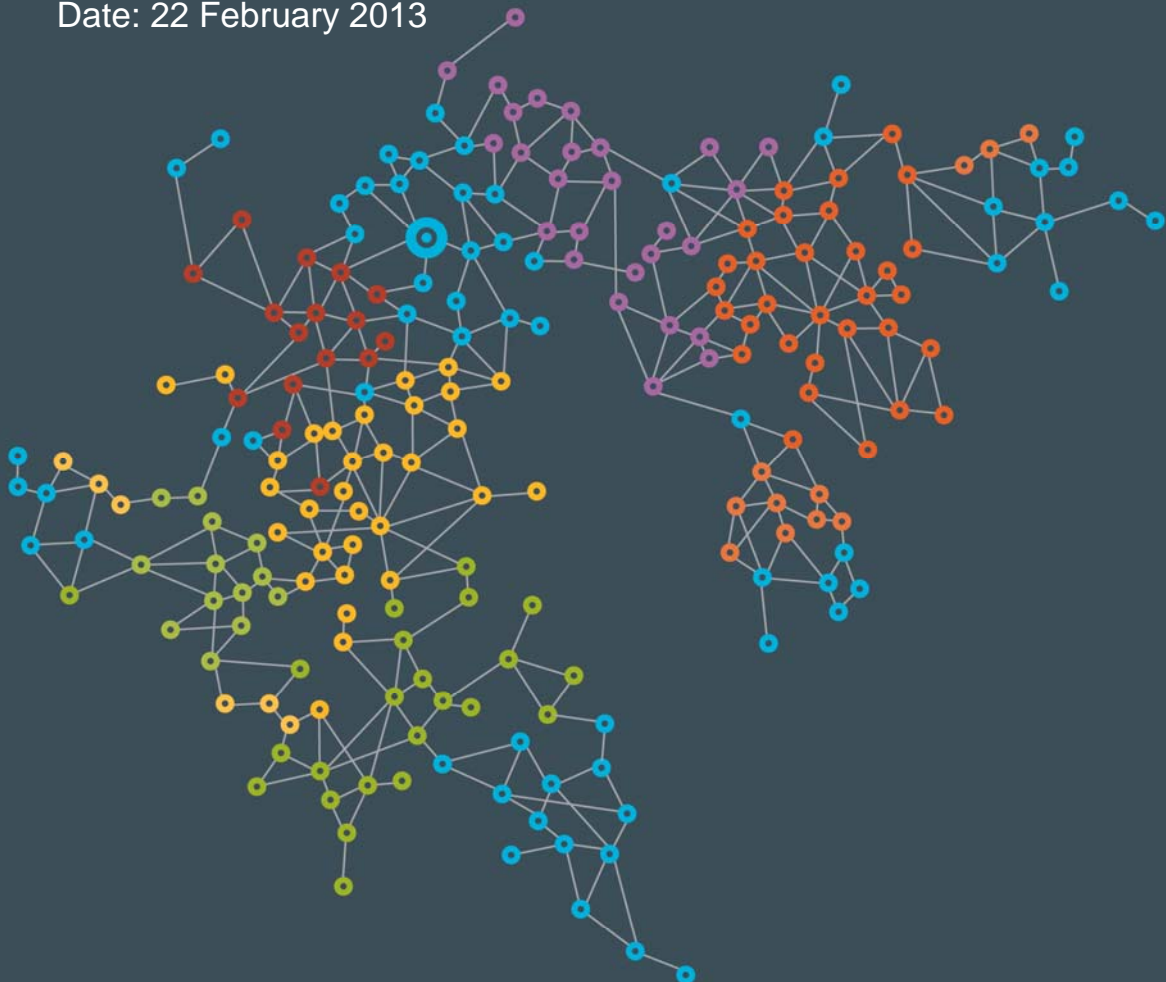


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Executive Summary

Procedure Change Proposal

The IMO has proposed amendments to the Reserve Capacity Procedure for the Declaration of Bilateral Trades and the Reserve Capacity Auction (Procedure), to improve its readability and user-friendliness and to ensure it is consistent with the Amending Rules that have commenced since the last update of the Procedure on 1 January 2010.

Consultation

The proposed amended Procedure was discussed by the IMO Procedure Change and Development Working Group (IMOPWG) at its 14 August 2012 meeting. Members suggested minor amendments to be included in the Procedure. Minutes from the meeting are available on the following webpage: <http://www.imowa.com.au/IMO-Procedures-Working-Group>.

The Procedure Change Proposal was formally submitted into the Procedure Change Process on 27 September 2012. The consultation period for this Procedure was held between 28 September 2012 and 26 October 2012. The IMO received three submissions. Overall, submitters supported the amendments and made some further suggestions for improving the Procedure.

The IMO's Assessment of the Proposal

The IMO has found the proposed amended Procedure facilitates the declaration of Bilateral Trades and the process of the Reserve Capacity Auction and is thereby consistent with the Wholesale Market Objectives.

The IMO's Decision

The IMO's decision is to accept the amended Procedure as modified following the consultation period.

Next steps

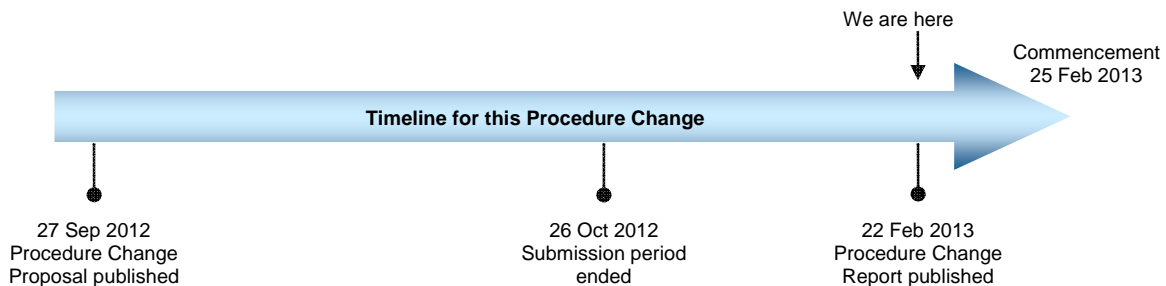
The amended Reserve Capacity Procedure for the Declaration of Bilateral Trades and the Reserve Capacity Auction will commence **8:00 AM on 25 February 2013**.

1. Procedure Change Process and Timetable

On 27 September 2012 the Independent Market Operator (IMO) submitted a Procedure Change Proposal titled “Changes to Reserve Capacity Procedure for Declaration of Bilateral Trades and the Reserve Capacity Auction”.

This proposal is being processed using the Procedure Change Process, described under clause 2.10 of the Market Rules.

The key dates in processing this Procedure Change Proposal are:



2. Proposed Amended Market Procedure

2.1. The Procedure Change Proposal

The IMO proposed amendments to the Reserve Capacity Procedure for Declaration of Bilateral Trades and the Reserve Capacity Auction (Procedure) to improve the overall structure and the level of detail provided in order to make it more user-friendly. The proposed amendments also ensure that the Procedure is consistent with the Amending Rules that have commenced since the Procedure was last updated on 1 January 2010, including the following Rule Change Proposals:

- Certification of Reserve Capacity (RC_2010_14);
- Curtailable Loads and Demand Side Programmes (RC_2010_29); and
- Competitive Load Following and Balancing Market (RC_2011_10).

For full details of the Procedure Change Proposal please refer to the Market Web Site: http://www.imowa.com.au/PC_2012_06.

3. Consultation

3.1. Market Advisory Committee or Working Group

The Market Advisory Committee (MAC) has delegated the role of considering IMO Procedure Change Proposals to the IMO Procedure Change and Development Working Group (IMOPWG) (clause 2.3.17(a)). Accordingly the MAC has not reviewed this 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 should two or more members request it. No MAC members contacted the IMO in this regard.

The proposed amended Procedure was provided to the IMOPWG for discussion at its 14 August 2012 meeting. During this meeting the working group suggested a number of minor amendments to the Procedure. The IMO has updated the proposed amended Procedure to reflect the agreed changes.

For further details of the discussion at the 14 August 2012 IMOPWG meeting refer to the following webpage: <http://www.imowa.com.au/IMO-Procedures-Working-Group>.

3.2. Public Workshop

No public workshop was held in regard to this Procedure Change Proposal.

3.3. Submissions received during consultation period

The public consultation period for the proposed amended Procedure was held between 28 September and 26 October 2012. The IMO received three submissions during the consultation period, from Verve Energy, Synergy and Community Electricity.

Community Electricity supported the Procedure Change Proposal on the grounds that it clarifies the process and is consistent with the Market Rules. Verve Energy also supported the proposal, considering that the proposed amended Procedure is a vast improvement in terms of readability and usability. Synergy specifically supported the inclusion of step A1.1.3(a), which requires a Market Participant seeking to demonstrate to the IMO that its Facility is “Committed” to provide evidence of a generation licence as required under the Electricity Industry Act 2004 Section 7(1).

All submitters suggested minor amendments to be made to the Procedure. Specific suggestions made by submitters and the IMO’s response to them are detailed below:

Submitter	Issue/Suggestion	Response
Verve Energy	Step 1.2.1 of the proposed amended Market Procedure refers to the procedure outlining the processes “Market Participants” must follow whereas step 1.3.1 notes that the procedure applies to “Rule Participants”. Verve Energy considers that the terminology should be consistent throughout the procedure	Step 1.3.1 has been amended in accordance with IMO’s new standard and refers to clauses 2.9.6, 2.9.7 and 2.9.8 of the Market Rules rather than attempting to list the particular Rule Participants with obligations under the Procedure.
Verve Energy	Step 1.4.2(a) of the proposed amended Market Procedure refers to the “New MPR” whereas steps 2.1.7, 3.2.5 and Appendix 1 all refer to “Registration system”. Verve Energy considers that the terminology should be consistent throughout the procedure	Agreed. The Procedure has been amended to refer to the “MPR” consistently.
Verve Energy	There would be value in defining MPR in Table 1.	The IMO has included a definition of MPR in section 1.6. To add

Submitter	Issue/Suggestion	Response
		further clarity the IMO has included hyperlinks to the MPR User Guide and WEMS MPI User Guide.
Verve Energy	The process diagram (Figure 1) would benefit from the inclusion of Market Rule references for each step, where appropriate.	The IMO appreciates the suggestion and has added Market Rule references where appropriate.
Verve Energy Synergy	Steps 2.1.7 and 3.2.5 refer to "0" where this should be reference to "Appendix 1".	Agreed. The references have been corrected.
Verve Energy Synergy	Step 3.1.3 of the proposed amended Market Procedure refers to step 3.1.12, this cross reference should be 3.1.2.	Step 3.1.3 has been removed from the Procedure as it was a duplicate of step 3.1.2.
Synergy	Noted a missing space in "Actionand" in the decision box in Figure 1.	Agreed. The error in Figure 1 has been corrected.
Synergy	Step A1.1.3(a) should start with a lower case "e" and end with a semi-colon.	Agreed. The step has been amended accordingly.
Community Electricity	The Procedure would benefit from further detail in section 2.5 (Mutually Exclusive Facilities) as to how the IMO would determine that Facilities are mutually exclusive and, having done so, would then select between them.	The IMO considers that clause 4.14.6 provides a guiding example with regard to situations in which two Facilities cannot simultaneously exist. Further, clauses 4.14.6(a) to (e) lay down the order in which the IMO must select one Facility where it identifies that Facilities are mutually exclusive. The IMO considers that this has been adequately transitioned to section 2.5 of the Market Procedure.

Verve Energy and Community Electricity noted that the proposed amendments to the Market Procedure, as a whole, were consistent with the Wholesale Market Objectives.

Additionally, Verve Energy considered that the proposal would better achieve Wholesale Market Objective (b). Verve Energy considered that improvements to the readability and usability contemplated by the Procedure Change Proposal may remove a potential barrier to entry and assist in the facilitation of efficient entry of new competitors.

The submitters did not identify any costs or changes to their organisations' IT and business systems associated with the Procedure Change Proposal.

A copy of all submissions in full received during the submission period is available on the Market Web Site: http://www.imowa.com.au/PC_2012_06.

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.

During the public consultation phase, the IMO received three submissions on the proposed amended Procedure. All suggestions have been considered by the IMO in conducting its assessment.

4.1. Further changes to the Market Procedure

The IMO notes that following the public consultation process it has:

- checked for consistent use of terms throughout the Procedure;
- added Market Rule references to enhance clarity of the process diagram; and
- included a number of additional minor and typographical amendments to improve the overall integrity of the amended Procedure and ensure consistency with the Market Rules.

4.2. Wholesale Market Objectives

The steps described in the proposed amended Procedure facilitate the Bilateral Trade Declaration and Reserve Capacity Auction process as described in chapter 4 of the Market Rules.

The IMO considers that the Procedure is 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 Procedure, as a whole, is consistent with the Wholesale Market Objectives.

4.3. Wholesale Market Rules, the Electricity Industry Act and Regulations

The IMO considers that the proposed amended Procedure is consistent, as a whole, with the Market Rules, the Electricity Industry Act and Regulations.

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

4.4. Implementation of the Market Procedure

The Reserve Capacity Procedure will not require the IMO or Rule Participants to implement any procedural or system amendments before it can commence. Consequently, the IMO considers that commencement at **8:00 AM on 25 February 2013** will allow Rule Participants sufficient time from the date of publication of this Procedure Change Report to ensure compliance with the amended Procedure.

5. The IMO's Decision

The IMO's decision is to approve the amended Reserve Capacity Procedure for Declaration of Bilateral Trades and the Reserve Capacity Auction as proposed in the Procedure Change Proposal and modified following the public consultation period.

The IMO has made its decision on the following basis. The amended Reserve Capacity Procedure for Declaration of Bilateral Trades and the Reserve Capacity Auction:

- is consistent with the Wholesale Market Objectives;
- is consistent with the Market Rules, Electricity Industry Act and Regulations;
- had the general support of the Working Group and submissions received during the consultation period; 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 Amended Market Procedure

6.1. Commencement

The amended Reserve Capacity Procedure for Declaration of Bilateral Trades and the Reserve Capacity Auction will commence at **8.00 AM on 25 February 2013**.

6.2. The Amended Market Procedure

The amended Reserve Capacity Procedure for Declaration of Bilateral Trades and the Reserve Capacity Auction is attached to this report and is also available on the Market Web Site: http://www.imowa.com.au/pc_2012_06.