



INDEPENDENT
MARKET
OPERATOR



Procedure Change Report: Changes to Market Procedure for Reserve Capacity Performance Monitoring (PC_2013_09)

2 April 2015

Executive summary

Proposed Amendments

The IMO proposed several amendments to the Market Procedure: Reserve Capacity Performance Monitoring (Market Procedure) to:

- ensure consistency with the Amending Rules in the Rule Change Proposal: Certification of Reserve Capacity (RC_2010_14)¹ and the proposed Amending Rules in the Rule Change Proposal: Incentives to Improve Availability of Scheduled Generators (RC_2013_09);²
- provide additional detail around the process and timeframes for the provision of Reserve Capacity Performance Reports and Reserve Capacity Performance Improvement Reports; and
- improve the clarity and integrity of the Procedure and its consistency with the IMO's standard format for Market Procedures.

Consultation

The proposed amended Market Procedure was discussed by the IMO Procedure Change and Development Working Group (IMOPWG) at its 20 September 2013 meeting. During the discussion IMOPWG members agreed a number of minor amendments to the proposed amended Market Procedure.

Following the 20 September 2013 meeting the IMO made extensive further amendments to the proposed amended Market Procedure. An updated version was distributed to IMOPWG members on 24 January 2014 and discussed again at the IMOPWG meeting held on 6 February 2014. During the discussion, IMOPWG members suggested other minor enhancements and supported the progression of the proposal into the Procedure Change Process.

Following the meeting, the IMO made further amendments to the proposed amended Market Procedure to reflect the suggestions of the IMOPWG. The Procedure Change Proposal was formally submitted on 10 February 2014.

The consultation period was held between 11 February and 11 March 2014. The IMO received submissions from Alinta Energy, Community Electricity and Synergy. Community Electricity and Alinta Energy were generally supportive of the proposed amendments, although Alinta Energy noted that its views should be read in conjunction with its submissions on RC_2010_14 and RC_2013_09.

Synergy did not comment on the overall merits of the Procedure Change Proposal, restricting its focus to a review of the operational details of the proposed processes. Synergy reiterated its objections to the proposed amendments in RC_2013_09, noting that nothing in its submission should be interpreted as a change to its views on that proposal.

Both Alinta Energy and Synergy also suggested some minor drafting enhancements.

¹ For further details see: http://www.imowa.com.au/RC_2010_14.

² For further details see: http://www.imowa.com.au/RC_2013_09.

Ministerial rejection of RC_2013_09

The proposed Amending Rules in the Final Rule Change Report for RC_2013_09 was submitted to the Minister on 24 March 2014. On 19 May 2014, the Minister rejected the Rule Change Proposal.

The IMO's assessment of the proposal

The IMO does not consider that it is appropriate to approve any proposed amendments to the Market Procedure at this stage for a number of reasons:

- The rejection by the Minister of RC_2013_09, which means the IMO cannot approve any proposed amendments to the Market Procedure related to this Rule Change Proposal.
- While the IMO considers that the other proposed changes to support RC_2010_14 are still warranted, as the proposed amendments required to support RC_2013_09 were extensive and the IMO was proposing to transfer the Market Procedure to an updated format, the IMO did not provide a 'marked up' copy of the proposed amended Market Procedure with the Procedure Change Proposal. This makes it difficult for stakeholders to clearly trace the amendments related to each aspect of the Procedure Change Proposal through each stage of the Procedure Change Process.
- Further amendments will be required to the Market Procedure as a result of Rule Change Proposal: Omnibus Rule Change (RC_2014_07)³ which is expected to commence on 1 July 2015.

The IMO's decision

The IMO's decision is to reject the proposed amended Market Procedure: Reserve Capacity Performance Monitoring.

Next steps

The IMO intends to introduce a new Procedure Change Proposal to amend the Market Procedure: Reserve Capacity Performance Monitoring to:

- ensure consistency with the Amending Rules in RC_2010_14 and the proposed Amending Rules in RC_2014_07; and
- improve the clarity and integrity of the Procedure and its consistency with the IMO's standard format for Market Procedures.

³ For further details see: http://www.imowa.com.au/RC_2014_07.

Contents

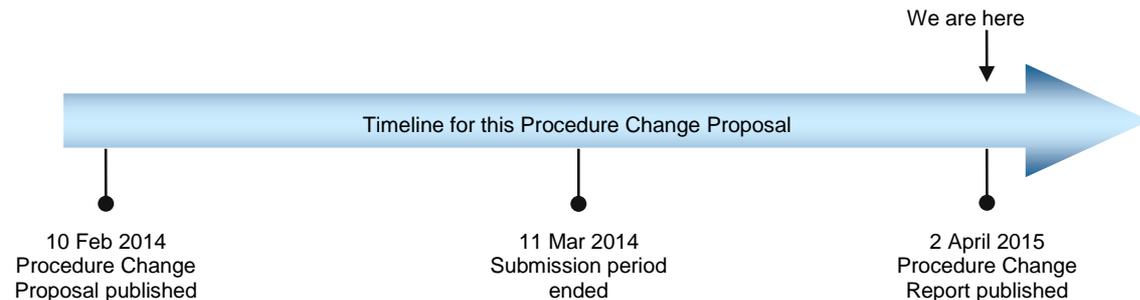
Executive summary	2
1. Procedure Change Process and Timetable	5
2. Proposed Amended Market Procedure	5
2.1 The Procedure Change Proposal	5
3. Consultation	6
3.1 Market Advisory Committee or Working Group	6
3.2 Public workshops	7
3.3 Submissions received during consultation period	7
4. The IMO's assessment	8
4.1 Consultation	8
4.2 Ministerial rejection of RC_2013_09	8
4.3 Wholesale Market Objectives	9
4.4 The Electricity Industry Act, Regulations and Market Rules	9
5. The IMO's decision	9

1. Procedure Change Process and Timetable

On 10 February 2014, the IMO submitted a Procedure Change Proposal (PC_2013_09) regarding changes to the Market Procedure: Reserve Capacity Performance Monitoring (Market Procedure).

This proposal is being processed using the Procedure Change Process, described under section 2.10 of the Wholesale Electricity Market Rules (Market Rules).

The key dates in processing this Procedure Change Proposal are:



2. Proposed Amended Market Procedure

2.1 The Procedure Change Proposal

The Market Procedure describes the steps for conducting Reserve Capacity performance monitoring as required under section 4.27 of the Market Rules.

The IMO proposed changes to the Market Procedure to reflect amendments to the Market Rules resulting from the Rule Change Proposals:

- RC_2010_14⁴: Certification of Reserve Capacity; and
- RC_2013_09⁵: Incentives to Improve Availability of Scheduled Generators.

The relevant Amending Rules from RC_2010_14, which relate to the process for approval of Reserve Capacity Progress Reports, commenced on 8 July 2011. The Amending Rules for RC_2013_09 were proposed to commence on 1 May 2014, however, on 19 May 2014 the Minister rejected the proposal.

The IMO also proposed to update the Market Procedure to:

- provide additional detail around the process and timeframes for the provision of Reserve Capacity Performance Reports and Reserve Capacity Performance Improvement Reports (related to the proposed Amending Rules in RC_213_09); and
- improve the clarity and integrity of the Market Procedure and its consistency with the IMO's standard format for Market Procedures.

⁴ For further details see: http://www.imowa.com.au/RC_2010_14.

⁵ For further details see: http://www.imowa.com.au/RC_2013_09.

3. Consultation

3.1 Market Advisory Committee or Working Group

The Market Advisory Committee (MAC) has delegated the consideration of IMO Procedure Change Proposals to the IMO Procedure Change and Development Working Group (IMOPWG) and so did not review this Procedure Change Proposal. However, in accordance with clauses 2.10.8 and 2.10.9 of the Market Rules, 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 member contacted the IMO in this regard.

The proposed amended Market Procedure was discussed by the IMOPWG at its 20 September 2013 meeting. The IMOPWG agreed a number of minor amendments to the proposed amended Market Procedure, including a revision of the proposed step 2.1.4 of the Market Procedure to clarify when the different thresholds (1000 versus 1750) for Equivalent Planned Outage Hours in the preceding 12 months apply, correct an incorrect clause reference and improve the overall clarity and integrity of the Market Procedure.

In addition, several issues affecting the Market Procedure were raised in submissions received during the first submission period for RC_2013_09.

- Bluewaters Power considered that any reports requested by the IMO should be in a pro forma format for clarity, scope control, consistency and transparency.
- Verve Energy (now Synergy) expressed a preference for an explicit timeframe for the provision of Reserve Capacity Performance Improvement Reports to be specified in clause 4.27.5(b) of the Market Rules. In response, the IMO noted that an explicit timing requirement could prove overly restrictive and result in Market Participants being required to provide the reports more frequently than necessary, but committed to specify a minimum notice period for the reports in the Market Procedure.
- Several submissions raised concerns about the proposed amendments to clause 4.27.9 of the Market Rules, which would allow the IMO to adjust the cap on Refund Exempt Planned Outages for all generators if the number of days determined under clause 4.27.2 of the Market Rules exceeds 80. After further consideration, the IMO proposed in the Draft Rule Change Report to remove clause 4.27.9 of the Market Rules and the associated monitoring requirements prescribed in clauses 4.27.1 and 4.27.2 entirely.

Following the 20 September 2013 IMOPWG meeting, the IMO made extensive further amendments to the proposed amended Market Procedure to:

- reflect the feedback provided by the IMOPWG;
- amend the steps for the processing of Reserve Capacity Progress Reports to reflect the Amending Rules in RC_2010_14;
- support the use of templates for Reserve Capacity Performance Reports and Reserve Capacity Performance Improvement Reports, consistent with the approach used for Reserve Capacity Progress Reports;

- clarify the process and timeframes for requesting and receiving Reserve Capacity Performance Reports and Reserve Capacity Performance Improvement Reports;
- reflect a number of additional amendments to the proposed Amending Rules in RC_2013_09; and
- further improve the overall clarity and integrity of the Market Procedure.

The updated Market Procedure was provided to IMOPWG members on 24 January 2014 for out of session comment. Three members suggested that the IMOPWG meet to discuss the Market Procedure due to the extent of the additional changes. Accordingly, the IMO presented the Market Procedure for discussion at the IMOPWG meeting held on 6 February 2014. During the discussion, the IMOPWG suggested minor enhancements to the Market Procedure and supported the progression of the proposal into the Procedure Change Process. The IMO made the suggested amendments to the Market Procedure to reflect the suggestions of the IMOPWG.

Minutes from the 20 September 2013 and 6 February 2014 IMOPWG meetings are available at: <http://www.imowa.com.au/IMO-Procedures-Working-Group>.

The IMO published the Procedure Change Proposal on 10 February 2014. The IMO also published (as attachments to the proposal) the following draft templates for Reserve Capacity Performance Reports and Reserve Capacity Performance Improvement Reports to assist stakeholders in their consideration of the proposed amended Market Procedure:

- Attachment 1: Reserve Capacity Performance Report template;
- Attachment 2: Reserve Capacity Performance Report worksheet template; and
- Attachment 3: Reserve Capacity Performance Improvement Report template.

3.2 Public workshops

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

3.3 Submissions received during consultation period

The consultation period for the Procedure Change Proposal was held between 11 February 2014 and 11 March 2014. The IMO received three submissions during the consultation period from Alinta Energy, Community Electricity and Synergy.

Community Electricity supported the proposed amendments on the grounds that they incrementally clarified, extended and updated the Market Procedure to reflect recent rule changes and thereby enhanced the integrity of the market.

Alinta Energy was generally supportive of the proposed amendments to the Market Procedure, noting however, that its views should be read in conjunction with its formal submissions on rule changes RC_2010_14 and RC_2013_09. Alinta Energy also suggested two minor grammatical amendments to improve the clarity and integrity of the Market Procedure.

Synergy did not comment on the overall merits of the Procedure Change Proposal, restricting its focus to a review of the operational details of the proposed processes. Synergy however reiterated its view that the proposals outlined in RC_2013_09 were not necessary in their entirety, and that the IMO could have achieved the same outcome by implementing a subset of, and/or modification to, the measures outlined in the Rule Change Proposal. Synergy further noted that nothing in its submission should be interpreted as a change to its views on that proposal. Synergy also suggested some minor amendments, and associated improvements to the report templates, to improve the clarity and integrity of the Market Procedure.

The amendments proposed by Alinta Energy and Synergy related to steps in the proposed amended Market Procedure to support RC_2013_09. As RC_2013_09 was rejected by the Minister on 19 May 2014, these changes are no longer required and the IMO has not adopted the amendments proposed in these submissions.

A copy of the submissions in full received during the submission period is available at: http://www.imowa.com.au/PC_2013_09.

4. The IMO's assessment

In determining whether to accept the Procedure Change Proposal, the IMO has undertaken an assessment in light of clause 2.9.3(a) of the Market Rules which requires that Market Procedures are:

- 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 the Regulations.

4.1 Consultation

In developing the proposed amendments to this Market Procedure the IMO has considered feedback and suggestions from the IMOPWG. During the consultation period the IMO received three submissions on the proposed amended Market Procedure.

As noted in section 3.3. above, all of the suggestions included in the submissions received are no longer relevant as a result of the rejection of RC_2013_09.

4.2 Ministerial rejection of RC_2013_09

The proposed Amending Rules in the Final Rule Change Report for RC_2013_09 were submitted to the Minister on 24 March 2014. On 19 May 2014, the Minister rejected the Rule Change Proposal on the basis that the Minister considered:

"...the Rule Change Proposal is inconsistent with the Market Objectives. In forming this assessment, I have taken into account that the costs to implement the amendments may not be recovered in light of possible reforms emanating from the Electricity Market Review"⁶.

⁶ See the notice of the Minister's rejection available at: https://www.imowa.com.au/RC_2013_09.

4.3 Wholesale Market Objectives

The IMO considers that the steps described in the proposed amended Market Procedure (excluding those relating to RC_2013_09 which was been rejected by the Minister) will facilitate the processes for Reserve Capacity performance monitoring as described in section 4.27 of the Market Rules. Specifically, the IMO considers that the proposed amendments to the Market Procedure:

- support the enhancements to the Reserve Capacity Progress Report approval process implemented through RC_2010_14, which will better achieve Wholesale Market 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); and
- improve the overall clarity and integrity of the Market Procedure.

The IMO considers that the steps in the proposed amended Market Procedure are drafted in a way that does not change the operation or intent of the Market Rules. As a result the IMO considers that the proposed amended Market Procedure is consistent with the Wholesale Market Objectives.

However, the IMO does not consider that it is appropriate to approve any proposed amendments to the Market Procedure at this stage for the reasons outlined in section 5 below.

4.4 The Electricity Industry Act, Regulations and Market Rules

The IMO considers that the proposed amended Market Procedure (excluding those proposed changes relating to RC_2013_09 which was been rejected by the Minister) would be consistent, as a whole, with the Market Rules, the Electricity Industry Act and the Regulations.

However, the IMO does not consider that it is appropriate to approve any proposed amendments to the Market Procedure at this stage for the reasons outlined in section 5 below.

5. The IMO's decision

The IMO's decision is to reject the proposed amended Market Procedure: Reserve Capacity Performance Monitoring.

The IMO has made its decision on the basis that it does not consider it appropriate to approve any proposed amendments to the Market Procedure at this stage for a number of reasons:

- The rejection of RC_2013_09 by the Minister, which means the IMO cannot approve any proposed amendments to the Market Procedure related to this Rule Change Proposal.
- While the IMO considers that the other proposed changes to support RC_2010_14 are still warranted, as the proposed amendments required to support RC_2013_09 were extensive and the IMO was proposing to transfer the Market Procedure to an updated format, the IMO did not provide a 'marked up' copy of the proposed amended

Market Procedure with the Procedure Change Proposal. This makes it difficult for stakeholders to clearly trace the amendments related to each aspect of the Procedure Change Proposal through each stage of the Procedure Change Process.

- Further amendments will be required to the Market Procedure as a result of Rule Change Proposal: Omnibus Rule Change (RC_2014_07)⁷ which is expected to commence on 1 July 2015.

The IMO intends to introduce a new Procedure Change Proposal to amend the Market Procedure to:

- ensure consistency with the Amending Rules in RC_2010_14 and the proposed Amending Rules in RC_2014_07; and
- improve the clarity and integrity of the Procedure and its consistency with the IMO's standard format for Market Procedures.

⁷ For further details see: http://www.imowa.com.au/RC_2014_07.