



INDEPENDENT
MARKET
OPERATOR

Wholesale Electricity Market Procedure Change Proposal

Procedure Change ID: PC_2013_09

Change requested by

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| Address: | Level 17, 197 St Georges Terrace, Perth, WA 6000 |
| Date submitted: | 10 February 2014 |
| Procedure change title: | Changes to Market Procedure for Reserve Capacity Performance Monitoring |
| Market Procedure affected: | Market Procedure for Reserve Capacity Performance Monitoring |

Introduction

The 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;
 - 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.

Details of Procedure Change Requested

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

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

The IMO has developed this Procedure Change Proposal to reflect amendments to the Market Rules resulting from the Rule Change Proposals:

- RC_2010_14¹: Certification of Reserve Capacity; and
- RC_2013_09²: 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. RC_2013_09 is currently being progressed through the Standard Rule Change Process; the Draft Rule Change Report was published on 28 November 2013 and the second submission period is due to end on 14 February 2014. The Amending Rules for RC_2013_09 are proposed to commence on 1 May 2014.

¹ Details available at http://www.imowa.com.au/RC_2010_14.

² Details available at http://www.imowa.com.au/RC_2013_09.

The IMO proposes to update the Procedure to:

- ensure consistency with the Amending Rules for RC_2010_14 and the proposed Amending Rules for RC_2013_09;
- 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.

The proposed amended Procedure was discussed by the IMO Procedure Change and Development Working Group (IMOPWG) at its 20 September 2013 meeting. Minutes from the meeting are available on the following webpage: <http://www.imowa.com.au/IMO-Procedures-Working-Group>.

The IMOPWG agreed a number of minor amendments to the proposed amended Procedure, including a revision of proposed step 2.1.4 to clarify when the different thresholds (1000 versus 1750) for Equivalent Planned Outages Hours in the preceding 12 months apply, correct an invalid clause reference and improve the overall clarity and integrity of the Procedure.

In addition, several issues affecting the 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 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). 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 Procedure.
- Several submissions raised concerns about the proposed amendments to clause 4.27.9, 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 exceeds 80. After further consideration, the IMO has proposed in the Draft Rule Change Report to remove clause 4.27.9 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 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 for 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 the additional amendments to the Market Rules outlined in the Draft Rule Change Report for RC_2013_09 and below; and
- further improve the overall clarity and integrity of the Procedure.

Please note that during the process of revising the Procedure the IMO identified some further proposed changes to the Amending Rules for RC_2013_09, which it intends to include in the Final Rule Change Report. These changes have been reflected in the development of the Procedure and the templates for Reserve Capacity Performance Reports and the Reserve Capacity Performance Improvement Reports.

- RC_2013_09 proposes a new clause 4.27.4A, which lists the information that must be provided in a Reserve Capacity Performance Improvement Report. The list currently includes *“the target and actual availability and reliability of the Facility as measured by Industry Standard Generation Performance Indicators”* (clause 4.27.4A(b)), where the term ‘Industry Standard Generation Performance Indicators’ is defined as *“the most recent edition of the IEEE Standard Definitions for Use in Reporting Electric Generating Unit Reliability, Availability, and Productivity (IEEE 762), as published by the Institute of Electrical and Electronics Engineers, or appropriate equivalent”*.

After further consideration the IMO has concluded that the existing Planned Outage rate and Forced Outage rate measures are sufficient to assess the availability and reliability of a generator and the reporting of additional measures is not required. Accordingly the IMO intends to replace clause 4.27.4A(b) with a requirement for the Market Participant to provide details of any changes to the expected maximum number of days of Planned Outages previously provided by the Market Participant for a Trading Month, including adequate explanations for each change.

- The IMO proposes to further amend clause 4.27.2 to require the IMO to calculate Equivalent Planned Outage Hours for Scheduled Generators and Non-Scheduled Generators only.
- The IMO proposes to amend clause 4.27.12 to clarify that the relevant Market Procedure is called the Market Procedure for Reserve Capacity Performance Monitoring.
- The IMO proposes to define the terms “Reserve Capacity Performance Report” and “Reserve Capacity Performance Improvement Report” in the Glossary and use these terms to simplify the drafting of clauses 4.27.3, 4.27.3A, 4.27.4, 4.27.4A and 4.27.5.

The updated 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 Procedure, due to the extent of the additional changes. Accordingly the IMO presented the Procedure for discussion at the IMOPWG meeting held on 6 February 2014. During the discussion the IMOPWG suggested a few minor enhancements to the Procedure and supported the progression of the proposal into the Procedure Change Process. The IMO made further amendments to the Procedure to reflect the suggestions of the IMOPWG.

Given the extensive restructuring and redrafting of this Procedure the IMO has not shown its proposed changes in tracked changes, but rather presented a final version of the Procedure.

The proposed templates for Reserve Capacity Performance Reports and the Reserve Capacity Performance Improvement Reports are provided as attachments to this Procedure Change Proposal, including:

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

Request 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 **5:00 pm on Tuesday, 11 March 2014**.

The IMO prefers to receive submissions by email to 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: Group Manager, Development and Capacity
PO Box 7096
Cloisters Square, Perth, WA 6850
Fax: (08) 9254 4399

2. Provide the wording of the amended Procedure

The proposed amended Procedure is provided as an attachment to this proposal.

3. 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 Procedure has been reviewed as a whole by the IMO to ensure compliance of the Procedure with the relevant provisions in the:

- Market Rules;
 - Electricity Industry Act; and
 - Regulations.
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4. Describe how the proposed changes to the Market Procedure would be consistent with the Wholesale Market Objectives

The steps described in the proposed amended Procedure will facilitate the processes for Reserve Capacity performance monitoring as described in section 4.27 of the Market Rules. Specifically, the IMO considers the proposed amendments to the 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)); and
- support the changes to Amending Rules proposed in RC_2013_09 (which will better achieve Wholesale Market Objectives (a), (b) and (d)); and
- improve the overall clarity and integrity of the Procedure.

The IMO considers that the steps are drafted in a way that does not change the operation or objectives of the Market Rules (as proposed to be amended by RC_2013_09). As a result the IMO considers that the proposed amended Procedure is consistent with the Wholesale Market Objectives.