

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 white wind turbines are visible, with their blades extending outwards. On the right, a tall metal lattice tower for power lines stands prominently, with several power lines stretching across the frame. The overall scene is set against a clear sky.

Independent Market Operator

Procedure Change Report

**Title: Market Procedure for the
Declaration of Bilateral
Trades and the Reserve
Capacity Auction**

Ref: PC_2009_05

Date: 29 December 2009

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DOCUMENT DETAILS

IMO Notice No.:PC_2009_05

Report Title: Procedure Change Report: Market Procedure for Declaration of Bilateral Trades and the Reserve Capacity Auction

Release Status: Public

Confidentiality Status: Public domain

Published in accordance with Market Rule 2.10.12

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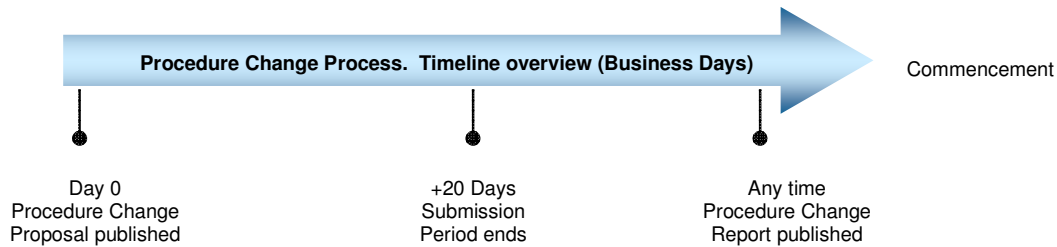
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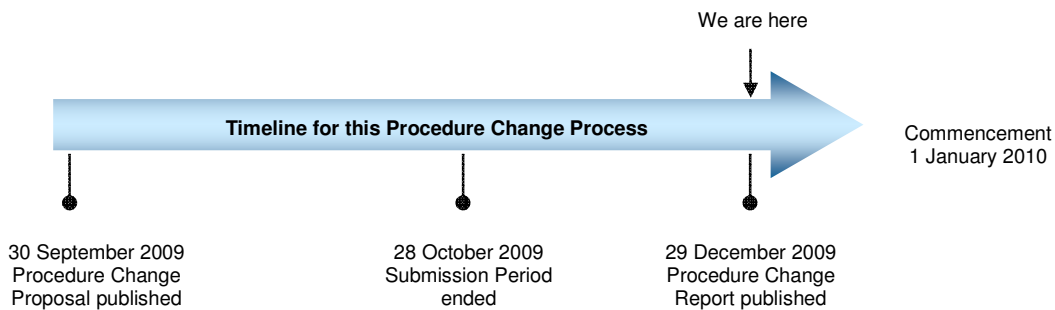


1. INTRODUCTION

On 30 September 2009, the Independent Market Operator (IMO) published a Procedure Change Proposal titled "Market Procedure for Declaration of Bilateral Trades and the Reserve Capacity Auction". 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:



This Procedure Change Report is published by the IMO in accordance with clause 2.10.12 of the Market Rules.

2. THE PROCEDURE CHANGE PROPOSAL

2.1 Details of the Proposal

The proposed new Market Procedure for Declaration of Bilateral Trades and the Reserve Capacity Auction (Market Procedure) details the process by which:

- Rule Participants propose, in the form of a declaration, the level of Certified Reserve Capacity it intends to trade bilaterally; and
- the IMO processes the Declaration and assigns Certified Reserve Capacity.

The Market Procedure includes:



- an overview of the process;
- the information that is required to be exchanged; and
- the timing and sequence of events.

The new procedure has been developed in response to the addition of clause 4.14.11 in the Market Rules. Clause 4.14.11 was part of the Amending Rules resulting from the Rule Change Proposal “Heads of Power for Market Procedures” (RC_2009_26¹) which commenced on 24 August 2009. In particular, clause 4.14.11 requires the IMO to develop a Market Procedure documenting the process that the IMO and Rule Participants will follow for the Bilateral Declaration and Reserve Capacity Auction.

3. PUBLIC CONSULTATION PERIOD

3.1 Submissions received

The public submission period was between 1 October 2009 and 28 October 2009. The IMO did not receive any submissions.

3.2 Additional Amendments

During the public submission period, the IMO identified a number of minor clarifications required to the Market Procedure. Due to the minor nature of these clarifications, the IMO does not consider that the amendments have a significant impact on the substance of the Market Procedure and therefore further consultation is not required.

The additional amendments to the Market Procedure are indicated in the updated amended Market Procedure available on the IMO’s website: http://www.imowa.com.au/PC_2009_05

4. THE IMO’S ASSESSMENT

In determining whether to accept the Procedure Change Proposal, the IMO has assessed the Procedure Change Proposal in light of clauses 2.9.3 (a) of the Market Rules.

Market Rules 2.9.3 (a) outlines that 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 states that the Procedure Change Report prepared by the IMO must contain the following:

¹ For additional information on the Rule Change Proposal see www.imowa.com.au/RC_2009_26

- 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
- 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.

The IMO's assessment is outlined in the following sections.

4.1 Wholesale Market Objectives

The IMO considers that the steps are drafted in such a way that does not change the operation of objectives of the Market Rules. In particular, the steps described in the proposed new Market Procedure cover the process by which Rule Participants propose the level of Certified Reserve Capacity intended to be traded bilaterally, and by which the IMO processes this declaration and assigns Certified Reserve Capacity.

As a result, the IMO considers that the proposed amended Market Procedure, as a whole, is consistent with the Wholesale Market Objectives.

4.2 Wholesale Market Rules, the Electricity Industry Act and Regulations

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

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

4.3 Views expressed in submissions

The IMO did not receive any submissions on this proposal during the public consultation period.

4.4 Implementation of the new Market Procedure

The new Market Procedure will not require Rule Participants or the IMO to implement any procedural or system amendments before it can commence.

The IMO considers that a commencement date prior to the start of 2010 Reserve Capacity Cycle² will ensure that potential stakeholders are aware of all requirements for this Reserve Capacity Cycle.

Consequently, the IMO considers that commencement at 8:00am on 1 January 2010 will allow Rule Participants sufficient time from the date of publication of this Procedure Change Report to ensure compliance with the new Market Procedure and provide adequate transparency around the entire process.

4.5 Views of the Market Advisory Committee

The MAC did not meet to discuss the proposed new Market Procedure as it had been discussed by the IMO Market Procedures Working Group (Working Group) at the 25 March 2009 meeting. The Working Group is a group appointed by the MAC to consider IMO Market Procedures, if required.

The Working Group generally supported the proposed new Market Procedure. The Working Group did, however, make a recommendation to clarify section 1.6.2 (b), which was adopted by the IMO in the proposed new Market Procedure that was submitted into the Procedure Change Process.

Once the agreed changes had been made by the IMO, the new proposed Market Procedure was submitted directly into the public consultation process.

After publishing the Procedure Change Proposal, the IMO invited all MAC members to contact the IMO if they considered the proposal to be significant enough to require convening the MAC. No MAC member contacted the IMO in this regard.

5. THE IMO'S DECISION

The IMO's decision is to approve the proposed new Market Procedure as proposed in the Procedure Change Proposal and updated during the public consultation process.

The IMO has made its decision on the following basis. The new 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.

² Publication of the request for Expressions of Interest (required to be advertised by 31 January under clause 4.1.4(b) of the Market Rules

6. THE NEW MARKET PROCEDURE

6.1 Commencement

The new Market Procedure will commence at 08.00am on 1 January 2010.

6.2 The new Market Procedure

The wording of the new Market Procedure, as proposed by the IMO and updated during the public consultation period, is available on the IMO's website:

http://www.imowa.com.au/PC_2009_05