

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, their towers and nacelles extending upwards. On the right, a large metal lattice tower for high-voltage power lines stands prominently, with several power lines stretching across the frame. The overall scene is set in a hilly, open landscape.

Market Operator

Procedure Change Report

**Title: Amendments to the Market
Procedure for
Determination of the
Maximum Reserve
Capacity Price**

Ref: PC_2010_04

Date: 4 October 2010

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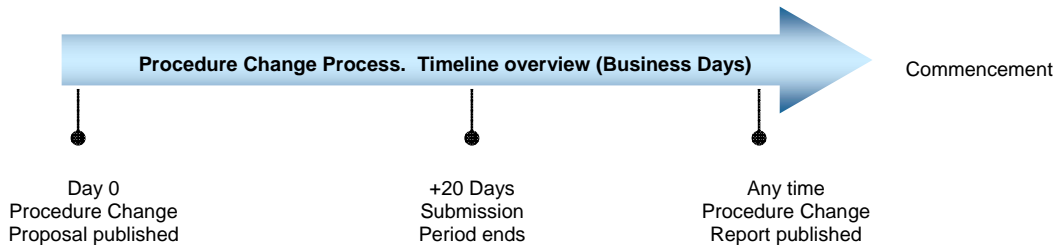
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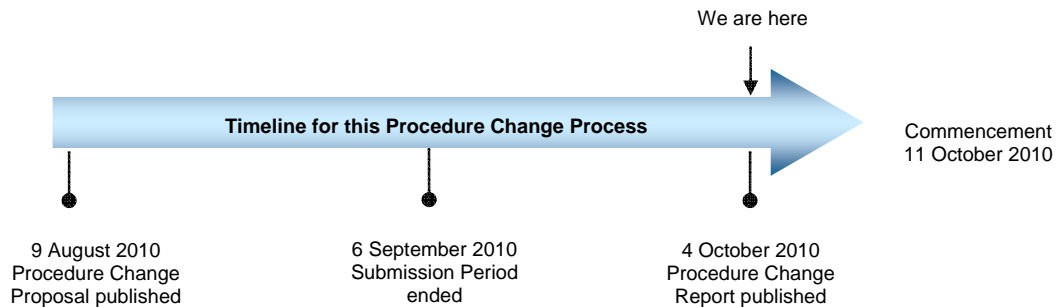


1. INTRODUCTION

On 9 August 2010, the Independent Market Operator (IMO) published a Procedure Change Proposal titled “Amendments to the Market Procedure for Determination of the Maximum Reserve Capacity Price”. 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 amended Market Procedure for determination of the Maximum Reserve Capacity Price (MRCP) updates the procedure to reinstate the MRCP values for the Major components that were removed under PC_2009_12.

The Market Procedure had not been updated to reflect the new IMO format resulting from the IMO's Market Procedure Project currently underway, given the pending work of the MRCP Working Group¹.

To improve the integrity of the Market Procedure, the IMO also proposed a number of minor and typographical amendments. The MRCP Working Group is undertaking a

¹ www.imowa.com.au/MRCPWG

wider review of the MRCP with expected changes to the Market Procedure later in the year.

The proposed amended Market Procedure was discussed by the IMO Market Procedures Working Group at the 28 July 2010 meeting. Minutes from the meeting are available: <http://www.imowa.com.au/IMO-Procedures-Working-Group>

3. PUBLIC CONSULTATION PERIOD

3.1 Submissions received

The public submission period was between 10 August 2010 and 6 September 2010. The IMO received a submission from Landfill Gas & Power (LGP) during this period.

LGP's submission is summarised below. The full text of the submission is available on the IMO website.

3.1.1 Submission from Landfill Gas and Power

LGP supports the proposed amendment as it corrects a manifest error and tidies the document pending the outcomes of the MRCP Working Group, of which LGP is a member.

Wholesale Market Objectives

LGP considers that the amendments are administrative in nature with no material bearing on the Market Objectives other than to improve their integrity via improved clarity.

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 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 (Clause 2.9.3 (a)).

The Procedure Change Report prepared by the IMO 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
- 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)

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

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 proposed amended Market Procedure 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 amendments.

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 11 October 2010 will allow Rule Participants sufficient time from the date of publication of this Procedure Change Report to ensure compliance with the amended Market Procedure.

4.5 Views of the Market Advisory Committee

The IMO considered the proposed changes to the Market Procedure for determining the MRCP not to be significant enough to require convening a meeting of the MAC. The reason for this was that the proposed amendments had already been discussed by the IMO Procedure Change and Development Working Group (Working Group) at its 28 July 2010 meeting. The Working Group is a group appointed by the MAC to consider IMO Market Procedure changes, if required.

The Working Group supported the proposed amendments to reinstate the values of the Major components that were removed under PC_2009_12. During the meeting Alinta questioned whether the proposed amendment reinstates the details contained for step 1.14.2 in the previous Market Procedure, noting that there are likely to be minor changes to the proposed revised values each year. The IMO agreed to delete the proposed additional wording as it is not required.

Once the agreed changes had been made by the IMO, the amended 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 Market Procedure for determination of the MRCP as proposed in the Procedure Change Proposal.

The IMO has made its decision on the following basis. The amended Market Procedure for the determination of the MRCP:

- 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 AMENDED MARKET PROCEDURE

6.1 Commencement

The amended Market Procedure for the determination of the MRCP will commence at 8.00am on 11 October 2010.

6.2 The Amended Market Procedure

The amended Market Procedure for the determination of the MRCP is available on the IMO's website: http://www.imowa.com.au/PC_2010_04