



Independent Market Operator

**Procedure Change Report
Title: New Market Procedure for Balancing
Facility Requirements**

PC_2012_02

Procedure Change Process

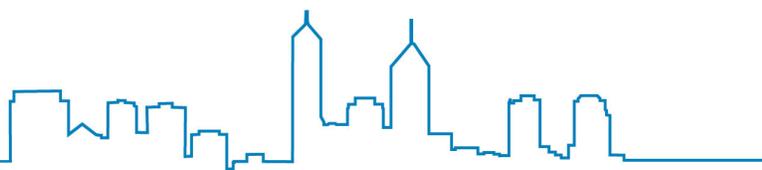
Date: 2 May 2012

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EXECUTIVE SUMMARY

Procedure Change Proposal

The proposed new Market Procedure for Balancing Facility Requirements has been developed in accordance with the relevant heads of power provided under new clause 7A.1.6 of the Amending Rules arising from the Rule Change Proposal: Competitive Balancing and Load Following Market (RC_2011_10). The new Market Procedure specifies:

- the technical and communication criteria that a Balancing Facility, or a type of Balancing Facility, must meet;
- the types of conditions that the IMO may impose on a Balancing Facility that does not meet these criteria; and
- the manner and circumstances in which such conditions may be imposed and lifted.

Consultation

- The IMO held three public workshops on 8 November 2011, 21 November 2011 and 30 November 2011 to discuss the impact of RC_2011_10 on Market Procedures.
- The new Market Procedure was also discussed at the 14 December 2011 meeting of the Rules Development Implementation Working Group (RDIWG).
- The IMO formally submitted the Procedure Change Proposal and issued a notice calling for submissions on 6 January 2012.
- The IMO received one submission from Landfill Gas & Power which supported the Procedure Change Proposal.

The IMO's Assessment of the proposal

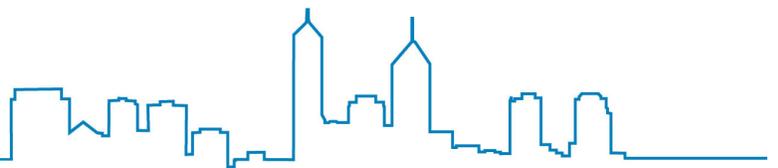
The IMO has found the proposed new Market Procedure will enable the operation of, and facilitate participation in the new Balancing Market, and thereby support the achievement of the Wholesale Market Objectives.

The IMO's Decision

The IMO's decision is to accept the proposed new Market Procedure for Balancing Facility Requirements as modified following the public consultation period.

Next steps

The new Market Procedure for Balancing Facility Requirements will commence at **8:00am** on the **Balancing Market Commencement Day**.

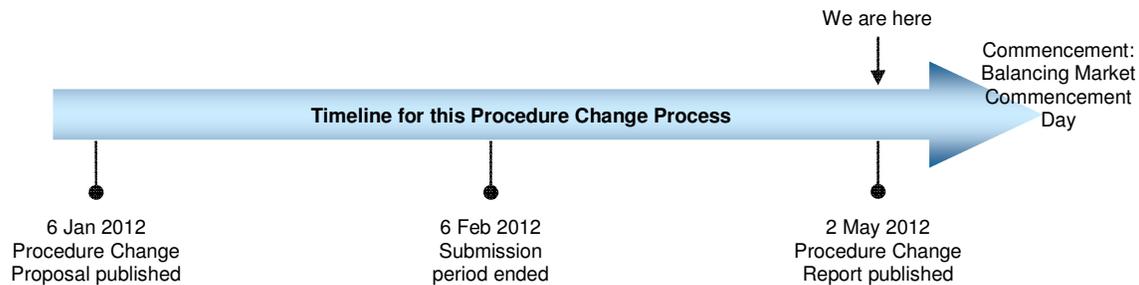


1. PROCEDURE CHANGE PROCESS AND TIMELINE

On 6 January 2012, the Independent Market Operator (IMO) published a Procedure Change Proposal titled “New Market Procedure for Balancing Facility Requirements”.

The proposal has been processed according to the Procedure Change Process under clause 2.10 of the Wholesale Electricity Market Rules (Market Rules).

The key dates in processing this Procedure Change Proposal are:



2. PROPOSED NEW MARKET PROCEDURE

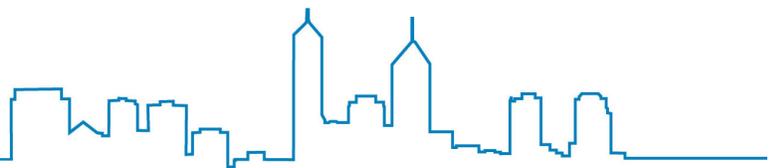
2.1 The Procedure Change Proposal

The proposed new Market Procedure for Balancing Facility Requirements has been developed in accordance with the relevant heads of power provided under clause 7A.1.5¹ of the Amending Rules arising from the Rule Change Proposal: Competitive Balancing and Load Following Market (RC_2011_10). The Market Procedure specifies the technical and communication criteria that a Balancing Facility, or a type of Balancing Facility, must meet. In particular, the Market Procedure sets out certain technical requirements and communication criteria that a Balancing Facility with a rated capacity of 10 MW or more must meet and which a Balancing Facility with a rated capacity less than 10 MW may meet, and where that is not the case, the process the IMO will follow in considering whether it is appropriate to impose conditions on the manner in which the Balancing Facility must participant in the Balancing Market.

The Market Procedure includes details of:

- requirements which Balancing Facilities with a rated capacity of 10 MW or more must comply with in relation to their ability to receive, confirm and respond to Dispatch Instructions, including ramping capabilities;
- obligations on Market Participants to report and provide information to the IMO regarding non-compliance with the above requirements;

¹ This clause was renumbered to clause 7A.1.6 in the Final Rule Change Report for RC_2011_10.



- the process the IMO will follow in assessing whether to impose conditions on the participation of non-compliant Facilities in the Balancing Market; and
- the type of conditions which the IMO may impose.

The Market Procedure will apply to Market Participants which own Balancing Facilities and the IMO in determining whether it is appropriate to impose conditions on a Balancing Facility that does not meet the technical requirements.

Full details of the Procedure Change Proposal are available on the IMO's website: http://www.imowa.com.au/PC_2012_02

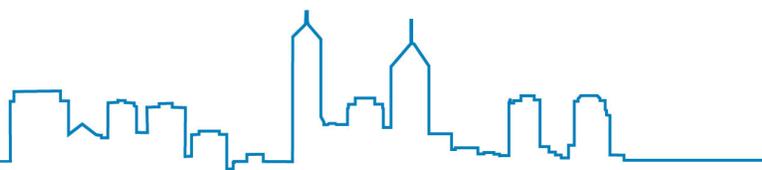
3. CONSULTATION

3.1 Market Advisory Committee or Working Group

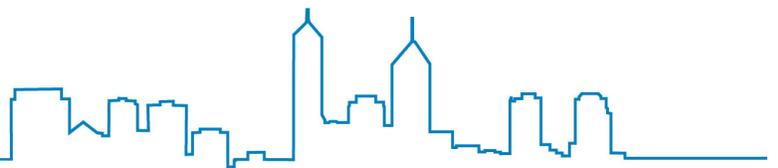
The Market Advisory Committee (MAC) has delegated to the Rules Development Implementation Working Group (RDIWG) the role of considering, assessing, developing and undertaking post-implementation evaluation of changes to the Market Rules associated with the issues list agreed at the 11 August 2010 MAC meeting.

The proposed new Market Procedure was discussed at the 14 December 2011 RDIWG meeting. During the meeting it was noted that following the discussions with industry during the public workshops held in November 2011 some additional amendments to the new Market Procedure had been made. An overview of the discussion and specific points raised during the meeting is presented below:

- The Chair queried the ability of System Management to receive and confirm Dispatch Instructions and whether these were going to be relaxed during the transition period. Mr Cameron Parotte advised that System Management would need to allow for more time due to the full B2B system not being ready.
- Mr Corey Dykstra suggested that the wording for the heading of section 2.3 be amended to 'Response Implement Dispatch Instructions'. The IMO agreed to reflect this suggestion.
- Mr Dykstra highlighted the issue regarding ramp rate limits, as Alinta's plant had a hard wired number which meant that their units would be non-compliant. Mr Dykstra confirmed that Alinta may not have the ability to control the rate of acceleration, and advised that this was not a system security or reliability issue – that it was the way the rules and procedures were currently written. Mr Dykstra advised that Alinta would like to see them amended.
- Mr Parrotte advised in the scheduled generation in the BMO the issue would only occur if there wasn't enough ramping capacity. System Management would then send out a warning that there wasn't sufficient generation so that the Market Participant submissions could be updated to come in later.
- The Chair advised that the WEM should be encouraging as many generators as possible to participate in Balancing price setting, and avoid the situation whereby a generator with inflexible ramp rates was precluded from getting involved in price setting.



- Mr Parrotte advised that, in consideration of the rules as they were currently written, Load Following was purely used for load and wind fluctuation, and generators being off their schedule. He confirmed that System Management did not know the prices of Load Following or Balancing.
- Mr Andy Stevens queried whether it was possible for a unit to be dispatched out of merit order because its ramp rate wasn't the ramp rate System Management required. Mr Parrotte advised that if the unit was around the balancing point that it could.
- Mr Parrotte confirmed that the Market Rules currently allowed System Management to dispatch anywhere from the max ramp rate that was set to minus ramp rate and anything in between.
- Mr Dykstra advised that this was an issue as Alinta was currently looking to use the marginal generator to do Balancing, and that he had wanted to raise the issue again as Alinta had the ability to change the hard wired ramp rate number from one fixed number to another fixed number, but it did not have the ability to give units a variable ramp rate. Mr Geoff Gaston confirmed that Perth Energy faced the same situation.
- Mr Dykstra reiterated that there were two issues:
 - they were required to meet certain characteristics, which at the moment they could not meet, therefore decisions needed to be made; and
 - the complexity around how it worked, who got paid what, etc.
- Mr Phil Kelloway advised that there was an understanding that plants couldn't follow a straight line and that there needed to be recognition that MW did wander.
- In response to Mr Dykstra's concerns, Mr Parrotte diagrammatically demonstrated that if a generator with a fixed ramp rate alternatively ramped and held output stable they could average their ramp rate to any ramp rate over the course of the interval (*refer to email sent by Mr Parrotte to RDIWG members on 14 December 2012 for further details*).
- Mr Dykstra advised that his understanding of the Market Rules was that technically there was an ability to report anyone for a compliance breach for any deviation, and that there was an obligation to adhere to Dispatch Instructions. The IMO agreed to look into the contradictory obligations, with the Chair requesting RDIWG members to provide details regarding the issues faced with inflexible ramping to the IMO. The IMO also agreed to raise the issue of plants having a hard wired ramp rate on its Issues register.
- Mr Stevens queried if an IT handshake protocol would be established as it was an acknowledgement of an acknowledgement. Mr Kelloway confirmed that this was standard. Mr Williams confirmed that after holding the onsite visit with Griffin Power, he had raised the issue with Mr Simon Adams, and they were currently looking at incorporating something along those lines within the Market Rules. Mr Kelloway advised that changes were currently planned for the B2B portal but he was unsure if it covered this.
- Mr Williams advised that section 4.3 had been removed from Page 6. The entitlement to be assigned Certified Reserve Capacity had now been transferred to the Market Procedure for Certification of Reserve Capacity.
- Dr Steve Gould queried the reference to 'removing market participant entitlement to be assigned', and whether the intention was for the Capacity Credits to be immediately revoked. Mr Williams advised that it was a 2 year out impact, and that if they didn't get



approval as a Balancing Facility they didn't get Capacity Credits until the next cycle. Dr Gould queried that if they fixed the transgression how did they go about getting it back. Mr Williams advised that they would need to wait until the next cycle and that the details were covered in current chapters 4.10 and 4.11.

- Mr Dykstra advised that he had an issue with the other conditions stated within the procedure, of which Mr Sutherland agreed. Mr Dykstra stated that he believed that procedure should be black and white. Mr Williams explained that the reason for it had been to allow for a degree of leniency. The Chair suggested that they needed to be conscious in moving to the new regime that a degree of flexibility was needed particularly in the beginning of the new Balancing Market. The Chair suggested a fixed timeframe on the use of this flexibility as it would be handy to have in place during the transition arrangements. Mr Dykstra agreed that it was a good idea and requested clarification on the intent of the flexibility in the procedure.

The IMO agreed to modify clause 4.3 of the Balancing Facility Requirements Market Procedure to be titled Transitional Arrangements, to clearly state the intent of the clause (i.e. to allow the IMO to extend greater flexibility to participants during the transitional period) and to include a sunset clause.

The full details of the proceedings of the RDIWG can be found on the following IMO web page: www.imowa.com.au/RDIWG.

In accordance with clauses 2.10.8 and 2.10.9 the IMO notified the MAC when the Procedure Change Proposal had been published and noted that it would convene a meeting of the MAC to discuss the new proposed Market Procedure should two or more members request it. No MAC member contacted the IMO in this regard.

3.2 Public Workshop

The IMO held three public workshops on 8 November 2011, 21 November 2011 and 30 November 2011 to discuss the impact of RC_2010_11 on Market Procedures. Further details of the workshops, including preliminary versions of the Market Procedures are available on the following IMO web page: http://www.imowa.com.au/mep_documents.

3.3 Submissions received during consultation period

The public consultation period for the proposed new Market Procedure was between 9 January and 6 February 2012. The IMO received a submission from Landfill Gas & Power (LGP) during this period which supported the proposed new Market Procedure.

In summary, LGP considered that:

- the proposed new Market Procedure is in harmony with the Rule Change Proposal implementing the new Balancing Market and by extension all the Market Objectives and, in particular, Market Objective (c) is supported by the provisions relating to Facilities less than 10 MW; and
- it will be able to comply in the required timeframes with the imposts indicated in the proposed new Market Procedure.



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

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 one submission from LGP on the new proposed Market Procedure. LGP's comments have been considered by the IMO in conducting its assessment.

4.1 Further changes to new proposed Market Procedure

The IMO notes that this Procedure Change Proposal was developed following extensive analysis and review, including both informal and formal consultation.

Following the public consultation process for PC_2012_02 the IMO has determined to incorporate some additional changes to the new Market Procedure. These include:

- clarifying that the IMO may consult with System Management in determining whether to impose conditions or lift/amend conditions and specifying the related obligations for System Management to respond to any requests for information made as part of that consultation;
- providing details of the timelines for the IMO to complete its assessment of whether a Balancing Facility meets the Requirements;
- clarifying the requirements for publication of information in accordance with clause 7A.1.13;
- clarifying that the requirements for a Balancing Facility relate to the capability of a Facility to meet System Managements system requirements;
- clarifying the process for facilities less than 10MW to apply to the IMO to be considered to meet the requirements for a Balancing Facility without conditions;
- specifying the process for reviewing and, where appropriate amending or lifting conditions placed on a Balancing Facility; and
- correcting references to the final Amending Rules resulting from RC_2011_10, given that the Market Procedure was developed in tandem with RC_2011_10.

A number of additional minor and typographical amendments have also been made to improve the overall integrity of the Market Procedure.

4.2 Wholesale Market Objectives

The IMO considers that the revised Market Procedure, as modified following the publication consultation process, sets out essential IMO processes which will enable the operation of, and participation in, the new Balancing Market. As such the IMO considers that the new Market Procedure, as a whole, supports the achievement of the Wholesale Market Objectives through the new Balancing Market.

4.3 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 (including the Amending Rules resulting from RC_2011_10), the Electricity Industry Act and Regulations.

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

4.4 Implementation of the Market Procedure

The implementation of this new Market Procedure constitutes part of the overall implementation of the new Balancing and Load Following Markets. The proposed new Market Procedure will support the operation of the new Balancing Market and will not require the IMO or System Management to implement any procedure or system amendments in addition to those already being incurred as part of the overall implementation of the new markets². The IMO also notes that no Market Participants have identified any issues with implementation of the Market Procedure.

The IMO is currently intending to enable all Balancing and LFAS functionality within the WEMS in early June. In accordance with the transitional arrangements specified in clause 1.10 of the Amending Rules resulting from RC_2011_10 this will include enabling the registration processes for participation in the Balancing Market prior to market start. Any approval of a registered Balancing Facility, including Facilities for which exemptions or special conditions will apply, will have an effective date of the Balancing Market Commencement Day.

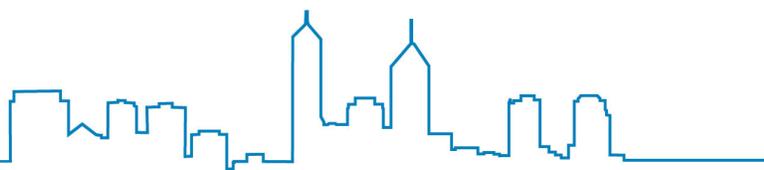
The IMO considers that commencement at **8:00 am** on the **Balancing Market Commencement Day** will allow Rule Participants sufficient time from the date of publication of this Procedure Change Report to ensure compliance with the new Market Procedure.

5. THE IMO'S DECISION

The IMO's decision is to approve the new Market Procedure for Balancing Facility Requirements as proposed in the Procedure Change Proposal and modified following the public consultation period.

The IMO has made its decision on the basis that the proposed amendments:

² For further details of the implementation costs for the new markets refer to the Final Rule Change Report for RC_2011_10.



- will enable the operation of, and facilitate participation in the new Balancing Market, and thereby support the achievement of the Wholesale Market Objectives;
- are consistent with the Market Rules (including the Amending Rules resulting from RC_2011_10), Electricity Industry Act and Regulations; and
- require 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 NEW MARKET PROCEDURE

6.1 Commencement

The new Market Procedure for Balancing Facility Requirements will commence at **8.00 am** on the **Balancing Market Commencement Day**

6.2 The New Market Procedure

The new Market Procedure for Balancing Facility Requirements is attached to this report and is also available on the IMO's website: http://www.imowa.com.au/PC_2012_02