



INDEPENDENT  
MARKET  
OPERATOR

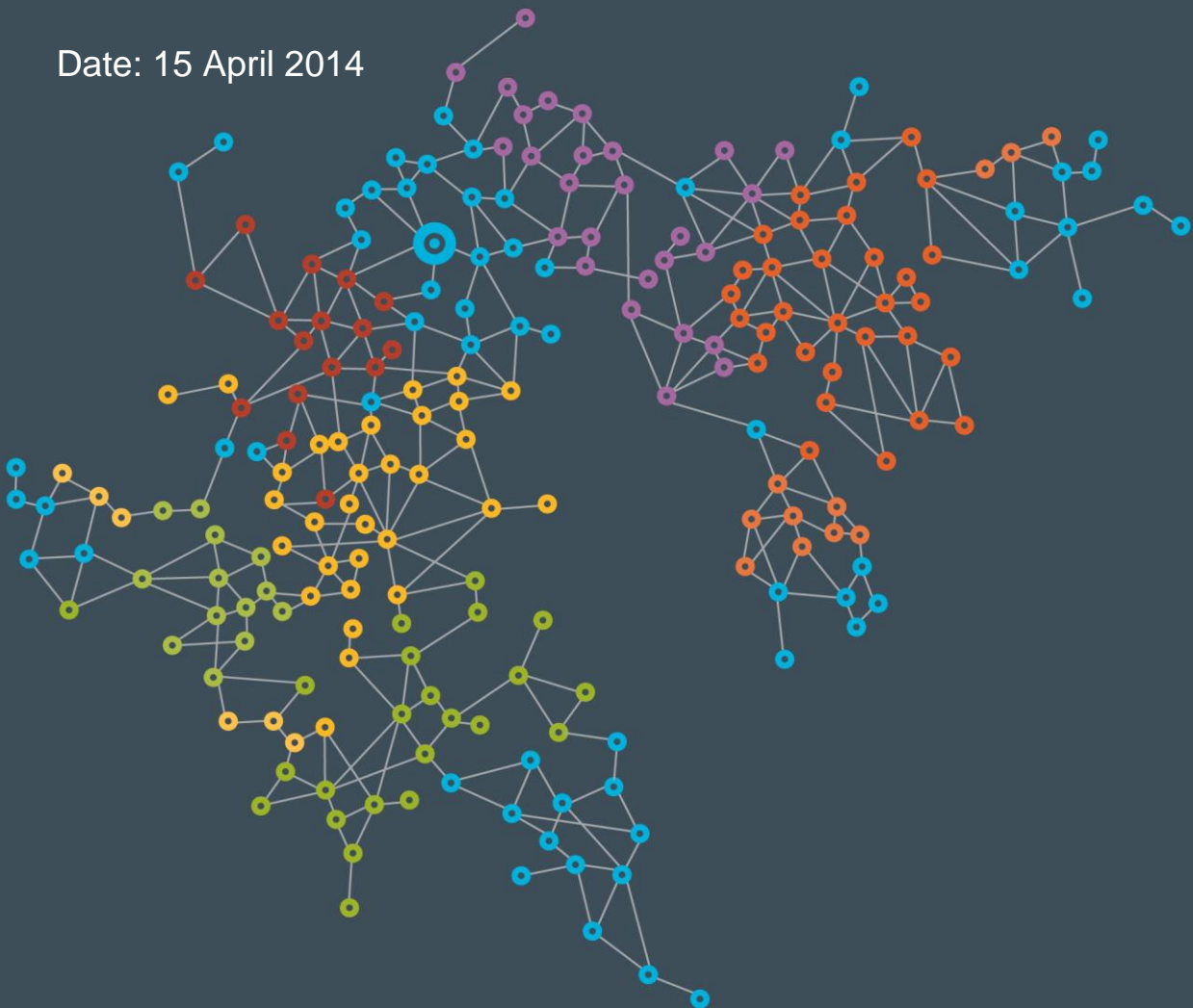
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## Procedure Change Report: Changes to Market Procedure for Declaration of Bilateral Trades and Reserve Capacity Auction

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PC\_2014\_02

Date: 15 April 2014



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## Executive Summary

### ***Proposed Amendments***

On 10 April 2013, the Government of Western Australia announced a merger of the state owned electricity retailer, the Electricity Retail Corporation (trading as 'Synergy') and electricity generator, the Electricity Generation Corporation (trading as 'Verve Energy'). The merger was given effect by the Electricity Corporations Amendment Act 2013.

The Rule Change Proposal: Market Rule changes arising from the merger of the Electricity Retail Corporation and Electricity Generation Corporation (RC\_2013\_18) replaced references to Verve Energy in the Wholesale Electricity Market Rules (Market Rules) with Synergy. The IMO proposed amendments to step 2.2.4 of the Market Procedure: Declaration of Bilateral Trades and Reserve Capacity Auction (Procedure Change Proposal PC\_2014\_02) to reflect this change.

The IMO also took the opportunity in this Procedure Change Proposal to propose other minor changes to improve the clarity of the Market Procedure and update it to reflect the IMO's new style and format.

### ***Consultation***

The proposed amended Market Procedure was presented at the IMO Procedure Change and Development Working Group (IMOPWG) meeting held on 6 February 2014. The IMOPWG endorsed the Market Procedure to progress into the formal Procedure Change Process subject to minor changes to improve clarity with respect to timeframes and the definition of Reserve Capacity Facility Status. The IMO included this feedback in the proposed amended Market Procedure and submitted the Procedure Change Proposal: Changes to Market Procedure for Declaration of Bilateral Trades and Reserve Capacity Auction (PC\_2014\_02) on 14 February 2014.

The consultation period was held between 14 February and 17 March 2014. The IMO received two submissions during the consultation period from Alinta Energy and Community Electricity. Community Electricity supported the Procedure Change Proposal on the grounds that it clarifies and updates the Market Procedure to reflect recent rule changes and thereby enhances the integrity of the market. Alinta Energy also supported the IMO's proposed amendments and proposed further minor amendments in order to improve the overall integrity of the Market Procedure.

### ***The IMO's Assessment of the Proposal***

The IMO considers that, overall, the proposed amended Market Procedure is consistent with the Wholesale Market Objectives and the Market Rules because it improves the clarity of the Market Procedure and its consistency with the Market Rules as amended in the Rule Change Proposal: Market Rule changes arising due to the merger of the Electricity Retail Corporation and Electricity Generation Corporation (RC\_2013\_18).

The IMO notes that these changes are administrative in nature and do not require any system or process changes. No Market Participant identified any issues with the practicality of implementation of the proposed amended Market Procedure.

### ***The IMO's Decision***

The IMO's decision is to accept the proposed amended Market Procedure as modified following the consultation period.

### ***Next steps***

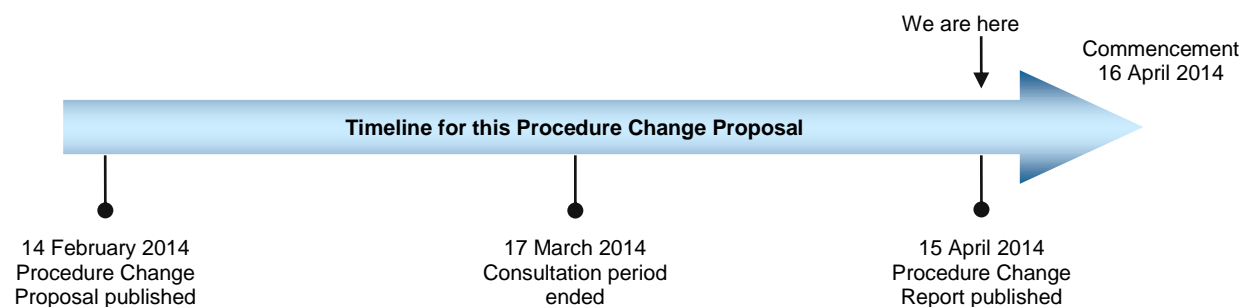
The amended Market Procedure is proposed to commence at **8:00 AM** on **16 April 2014**.

## 1. Procedure Change Process and Timetable

On 14 February 2014, the IMO submitted a Procedure Change Proposal: Changes to Market Procedure for Declaration of Bilateral Trades and Reserve Capacity Auction (PC\_2014\_02).

This proposal is being processed using the Procedure Change Process described under clause 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

On 10 April 2013, the Government of Western Australia announced a merger of the state owned electricity retailer, the Electricity Retail Corporation (trading as 'Synergy') and electricity generator, the Electricity Generation Corporation (trading as 'Verve Energy'). The merger was given effect by the Electricity Corporations Amendment Act 2013.

The Rule Change Proposal: Market Rule changes arising from the merger of the Electricity Retail Corporation and Electricity Generation Corporation (RC\_2013\_18)<sup>1</sup> replaced references to Verve Energy in the Market Rules with Synergy.

The IMO proposed amendments to step 2.2.4 of the Market Procedure: Declaration of Bilateral Trades and Reserve Capacity Auction (Market Procedure) to reflect this change.

The IMO also took the opportunity to propose other minor changes to improve the clarity of the Market Procedure and update it to reflect the IMO's new style and format.

For full details of the Procedure Change Proposal please refer to the Market Web Site: [http://www.imowa.com.au/PC\\_0214\\_02](http://www.imowa.com.au/PC_0214_02)

## 3. Consultation

### 3.1. Market Advisory Committee or Working Group

Under clause 2.3.17(a) of the Market Rules, the Market Advisory Committee (MAC) has delegated the consideration of IMO Procedure Change Proposals to the IMO Procedure Change and

<sup>1</sup> More details are available on the Market Web Site: [http://www.imowa.com.au/RC\\_2013\\_18](http://www.imowa.com.au/RC_2013_18)

Development Working Group (IMOPWG) and accordingly the MAC did not review the Procedure Change Proposal. 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 presented at the IMOPWG meeting held on 6 February 2014. The IMOPWG endorsed the Market Procedure to progress into the formal Procedure Change Process subject to minor changes to improve clarity with respect to timeframes and the definition of Reserve Capacity Facility Status. The IMO included this feedback in the proposed amended Market Procedure and submitted the Procedure Change Proposal (PC\_2014\_02) on 14 February 2014.

The minutes of the IMOPWG meeting held on 6 February 2014 are available on the Market Web Site: <http://www.imowa.com.au/IMO-Procedures-Working-Group>.

### **3.2. Public Workshops**

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

### **3.3. Submissions Received During Consultation Period**

The consultation period for the proposed amended Market Procedure was held between 14 February and 17 March 2014. The IMO received two submissions from Alinta Energy and Community Electricity.

Community Electricity supported the Procedure Change Proposal on the grounds that it clarifies and updates the Market Procedure to reflect recent rule changes and thereby enhances the integrity of the market.

Alinta Energy supported the IMO's proposed amendments and proposed further minor amendments to improve the overall integrity of the Market Procedure which the IMO has adopted. These suggestions related to typographical and formatting improvements and have been addressed in the table over the page.

A copy of the submissions in full received during the submission period is available on the Market Web Site: [http://www.imowa.com.au/PC\\_2014\\_02](http://www.imowa.com.au/PC_2014_02).

Submitter	Issue/Suggestion	Response
Alinta Energy	Step 1.2.2(b): "... Reserve Capacity will be required <del>in the</del> ."	The IMO agrees and has included this change in step 1.2.2(b) of the proposed amended Market Procedure.
Alinta Energy	Step 1.5.2: "The appendix contained within this Procedure forms <u>part of ...</u> "	The IMO agrees and has included this change in step 1.5.2 of the proposed amended Market Procedure.
Alinta Energy	Step 2.3: "Assessment and Processing of Bilateral Trade Declarations <u>"</u>	The IMO agrees and has included this change in step 2.3 of the proposed amended Market Procedure.
Alinta Energy	Step 2.4.2: "... The request <del>should</del> <u>must</u> outline..."	The IMO agrees and has included this change in step 2.4.2 of the proposed amended Market Procedure.
Alinta Energy	Step 2.6.1: Review the font colour as it is not the same throughout this step	The IMO has reviewed the formatting of this section of the proposed amended Market Procedure.

## 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 Electricity Industry Act, Electricity Industry (Wholesale Electricity Market) Regulations (Regulations) and Market Rules.

During consultation, the IMO received two submissions on the proposed amended Market Procedure. All suggestions have been considered by the IMO in conducting its assessment.

### 4.1. Further Changes to the Market Procedure

The IMO notes that following the consultation process it has included a number of additional minor amendments to improve the overall integrity of the amended Market Procedure in response to Alinta Energy's submission (see section 3.3 of this report for details).

The IMO has also added minor edits to clarify that the IMO will include in the notices given under steps 3.1.3 and 3.1.4 of the Market Procedure whether or not the Reserve Capacity Auction will be held for a Reserve Capacity Cycle.

### 4.2. Wholesale Market Objectives

The IMO considers that, overall, the proposed amended Market Procedure is consistent with the Wholesale Market Objectives and the Market Rules because it improves the clarity of the Market Procedure and is consistent with the Market Rules as amended in the Rule Change Proposal: Market Rule changes arising due to the merger of the Electricity Retail Corporation and Electricity Generation Corporation (RC\_2013\_18).

### 4.3. The Electricity Industry Act, Regulations and Market Rules

The IMO considers that the proposed amended Market Procedure is consistent, as a whole, with the Electricity Industry Act, Regulations and Market Rules. The Market Procedure is drafted to implement the merger of Verve Energy and Synergy as introduced by relevant amending laws and the subsequent Rule Change Proposal: Market Rule changes arising due to the merger of the Electricity Retail Corporation and Electricity Generation Corporation (RC\_2013\_18).

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

### 4.4. Implementation of the Market Procedure

The IMO notes that these changes are administrative in nature and do not require any system or process changes. No Market Participant identified any issues with the practicality of implementation of the proposed amended Market Procedure.

The IMO considers that commencement at **8:00 AM on 16 April 2014** will allow the IMO and Market Participants sufficient time from the date of publication of this Procedure Change Report to



ensure compliance with the amended Market Procedure.

## 5. The IMO's Decision

The IMO's decision is to approve the proposed amended Market Procedure: Declaration of Bilateral Trades and Reserve Capacity Auction as proposed in the Procedure Change Proposal and amended following the consultation period.

The IMO has made its decision on the following basis. The amended Market Procedure: Declaration of Bilateral Trades and Reserve Capacity Auction:

- will support the operation of the Market Rules as amended by RC\_2013\_18 and relevant amending laws;
- is consistent with the Wholesale Market Objectives;
- is consistent with the Electricity Industry Act, Regulations and Market Rules; and
- has the general support of the IMOPWG and submissions received during the consultation period.

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: Declaration of Bilateral Trades and Reserve Capacity Auction will commence at **8.00 AM** on **16 April 2014**.

### 6.2. The Amended Market Procedure

The amended Market Procedure: Declaration of Bilateral Trades and Reserve Capacity Auction is attached to this report and is also available on the Market Web Site: [http://www.imowa.com.au/PC\\_2014\\_02](http://www.imowa.com.au/PC_2014_02).