



Independent Market Operator

**Procedure Change Report
Title: New Market Procedure for Balancing
Market Forecasts**

PC_2012_03

Procedure Change Process

Date: 30 March 2012

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Independent Market Operator

Level 3, Governor Stirling Tower
197 St George's Terrace, Perth WA 6000
PO Box 7096, Cloisters Square, Perth WA 6850
Tel. (08) 9254 4300
Email: imo@imowa.com.au
Website: www.imowa.com.au



EXECUTIVE SUMMARY

Procedure Change Proposal

The proposed new Market Procedure for Balancing Market Forecast has been developed in accordance with the relevant heads of power provided under new clause 7A.3.20 of the Amending Rules arising from the Rule Change Proposal: Competitive Balancing and Load Following Market (RC_2011_10). The new Market Procedure will support the determination and publication of Balancing Forecasts by the IMO. The information provided under the new Market Procedure will be taken into account by Market Participants in the preparation of their Balancing Submissions.

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 Market Forecast as modified following the public consultation period.

Next steps

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

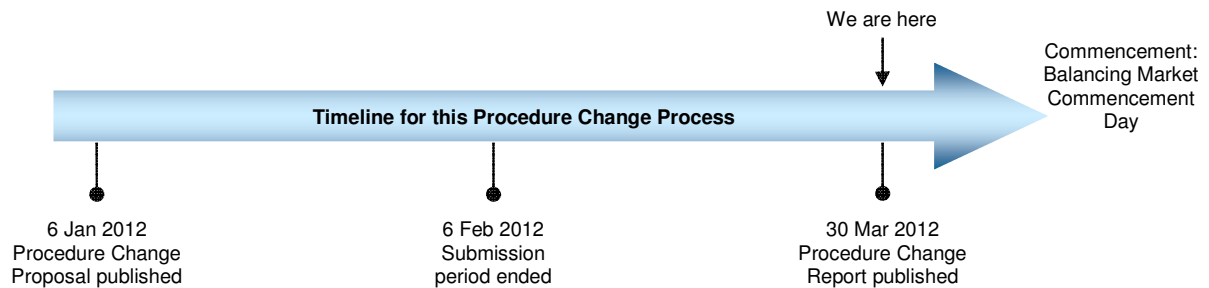


1. PROCEDURE CHANGE PROCESS AND TIMELINE

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

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 Market Forecast has been developed in accordance with the relevant heads of power provided under clause 7A.3.20 of the Amending Rules arising from the Rule Change Proposal: Competitive Balancing and Load Following Market (RC_2011_10). The Market Procedure will support the determination and publication of Balancing Forecasts by the IMO, including outlining the information requirements from System Management to enable the Forecast Balancing Merit Order (BMO) and Balancing Forecast to be prepared¹. The information provided under the new Market Procedure will be taken into account by Market Participants in the preparation of their Balancing Submissions.

In particular the Market Procedure will describe the processes which the IMO will follow in:

- Preparing and providing the Forecast Balancing Merit Order (BMO) to System Management;
- Assigning priority to Facilities in the case where there is a tie in the Forecast BMO; and
- Preparing and publishing, for each Trading Interval of the Balancing Horizon, forecasts of:
 - the Relevant Dispatch Quantity;

¹ Note that the specific requirements for System Managements determination and provision of this input data for the IMO's calculations are covered in the Market Rules.



- the aggregate output of all Non-Scheduled Generators;
- the Balancing quantities expected to be provided by each Market Participant;
- anonymous aggregate price-quantity supply curves; and
- the expected Balancing Price.

The Market Procedure will apply to the IMO in determining the Forecast BMO, Balancing Forecast and the Balancing quantities expected to be provided by each Market Participant.

Full details of the Procedure Change Proposal are available on the Market Web Site: http://www.imowa.com.au/PC_2012_03

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 by Mr Ben Williams that the new Market Procedure had been updated following the discussions and feedback received during the initial presentation at the November 2011 public workshops. No further discussion ensued. For further details of the proceedings of the RDIWG refer to the following IMO Website: <http://www.imowa.com.au/RDIWG>.

In accordance with clauses 2.10.8 and 2.10.9 of the Market Rules 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.

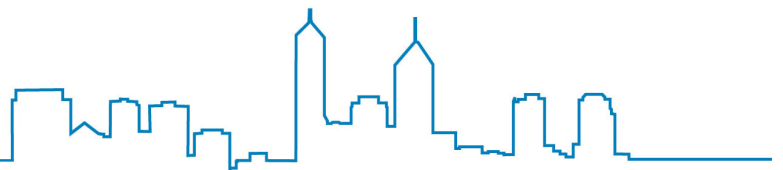
3.2 Public Workshop

The IMO held three public workshops on 8 November 2011, 21 November 2011 and 30 November 2011 to discuss the impact of RC_2011_10 on Market Procedures. Further details of the workshops, including preliminary versions of the Market Procedures are available on the following IMO Webpage: 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 Wholesale Market Objectives; and
- has no implications for LGP in relation to systems, costs or timeframes.

The full text of the LGP submission is available on the IMO 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 as presented in section 4 of this report.

4.1 Further changes to the new Market Procedure

The IMO notes that the proposed new Market Procedure for Balancing Market Forecast was developed following extensive analysis and review, including both informal and formal consultation.

Following the public consultation process for PC_2012_03 the IMO has determined to incorporate some additional changes to the new Market Procedure. These include:

- removing the reference to the Market Procedure applying to System Management in step 1.3.1. The IMO notes that the obligation for System Management to provide the necessary data to support the IMO's determination of the Balancing Forecast is outlined in the Market Rules. The IMO notes that no additional obligations need to be conferred on System Management under this Market Procedure at this time;
- clarifying the tie break process for the Forecast BMO; 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 new Market Procedure, as modified following the public 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 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 Market Forecast 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 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;
- is 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 provided in section 4 of this Procedure Change Report.

6. THE NEW MARKET PROCEDURE

6.1 Commencement

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

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



6.2 The New Market Procedure

The new Market Procedure for Balancing Market Forecasts is attached to this report and is also available on the IMO's website: http://www.imowa.com.au/PC_2012_03