



Independent Market Operator

**The IMO's decision: Proposed
Replacement Power System
Operation Procedures:**

**Competitive Balancing and Load
Following Market 3**

Ref: PPCL0023

Date: 24 May 2012

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EXECUTIVE SUMMARY

Procedure Change Proposal

System Management proposes to replace the Power System Operation Procedure (PSOP): Commissioning and Testing, PSOP: Facility Outages and PSOP: Monitoring and Reporting which have been impacted by the new Balancing and Load Following Service (LFAS) Markets, scheduled to commence on 1 July 2012¹.

Consultation

- System Management formally submitted the Procedure Change Proposal on 20 January 2012 with a request for submissions closing on 20 February 2012.
- A further consultation period was held in accordance with the public notice published on 19 March 2012. The further consultation period ended on 29 March 2012.
- The replacement PSOPs were discussed by members of the System Management Procedure Change and Development Working Group at its 12 December 2011 meeting (prior to formal submission) and the Rules Development Implementation Working Group at its 22 March 2012 meeting (during the further consultation period).
- One submission was received from Landfill Gas & Power (LGP) during the formal consultation period which generally supported the proposal. A general submission was received from Alinta during the further consultation period; this submission however did not raise any specific issues about this proposal. The IMO also provided a submission on the proposal which raised a number of issues.

The IMO's Assessment

The IMO has found the proposed amendments to be consistent with the Wholesale Market Objectives, the Market Rules, the Electricity Industry Act and the Regulations.

Practicality and Cost of Implementation

No costs associated with the implementation of the proposed amendments or issues with the practicality of the proposed amendments have been identified by either the IMO or System Management.

The IMO's Decision

The IMO's decision is to accept the proposed replacement PSOP: Commissioning and Testing, PSOP: Facility Outages and PSOP: Monitoring and Reporting.

Next steps

The replacement PSOP: Commissioning and Testing, PSOP: Facility Outages and PSOP: Monitoring and Reporting will commence at 8.00am on the Balancing Market Commencement Day.

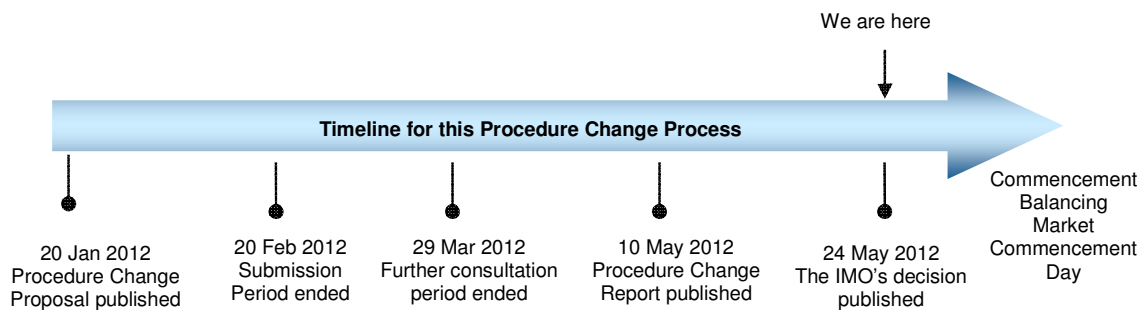
¹ For further details refer to the Final Rule Change Report for the Rule Change Proposal: Competitive Balancing and Load Following Market (RC_2011_10) available on the Market Web Site.

1. INTRODUCTION

On 20 January 2012, the Independent Market Operator (IMO) published a Procedure Change Proposal from System Management regarding the proposed replacement of Power System Operation Procedures (PSOPs): Competitive Balancing and Load Following Market 3.

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 AMENDMENTS

2.1 Summary of the Proposal

In its proposal, System Management notes that following feedback from Market Participants and the findings of the Verve Energy Review, a proposal to establish competition in the provision of both Balancing and Load Following Services (LFAS) was developed. The resulting amendments to the Market Rules were progressed by the Rule Change Proposal: Competitive Balancing and Load Following Market (RC_2011_10)². System Management considered it was therefore necessary to make related and relevant changes to the PSOPs impacted on by RC_2011_10.

System Management also notes that it has included a number of minor and typographical amendments to the PSOP consistent with its endeavour to continuously seek to improve the integrity and accuracy of the PSOPs.

Full details of the Procedure Change Proposal are available at: www.imowa.com.au/PPCL0023

² Note that the final Amending Rules resulting from RC_2011_10 were approved by the Minister on 20 March 2012. Refer to the following webpage for further details: http://www.imowa.com.au/RC_2011_10

3. CONSULTATION

3.1 Market Advisory Committee or Working Group

The Market Advisory Committee (MAC) has delegated the role of:

- considering System Management Procedure Change Proposals to the System Management Procedure Change and Development Working Group (SMPWG) (clause 2.3.17(a)); and
- considering, assessing, developing and undertaking post-implementation evaluation of change to the Market Rules associated with the issues list agreed at the 11 August 2010 MAC meeting to the Rules Development Implementation Working Group (RDIWG).

Details of the discussion of the proposed replacement PSOPs by these working groups are outlined below. Note that at the time of publishing the Procedure Change Proposal the IMO provided a notification to the MAC that it would convene a meeting of the MAC to discuss the proposal should two or more members provide a request to this effect (clauses 2.10.8 and 2.10.9). No MAC member contacted the IMO in this regard.

12 December 2011 – System Management Procedure Change and Development Working Group Meeting

Prior to formal submission the proposed replacement PSOPs were discussed by the SMPWG at its 12 December 2011 meeting. Following discussion at the working group, there were no agreed changes to the relevant PSOPs required.

At the conclusion of the meeting the Chair advised members that there would be further out of session consultation on the PSOPs to allow members more time to evaluate the amendments. This out of session consultation period for Working Group members ended on 10 January 2012. No further comments were received by System Management.

22 March 2012 – RDIWG Meeting

Subsequent to System Management's request to the IMO to undertake a further consultation period with all of industry, the updated replacement PSOPs were also presented to the RDIWG for discussion at its 22 March 2012 meeting. During the meeting the following points were raised:

- Mr Andrew Sutherland queried step 6.2.2 (*which states that acceptance of an Outage Plan must be based on the 2nd standard deviation PASA Load Forecast as specified in clause 3.18.11(a) of the Market Rules*) as it was confusing. Mr Cameron Parrotte advised that the wording needed to be updated to reflect the current thinking.
- Mr Brad Huppertz queried the reference to the Corporations Act in section 12.4 (*of the Facility Outages PSOP*) stating that Verve Energy did not fall under it. Mr Phil Kelloway advised that System Management would look into this further.

3.2 Submissions received during consultation period

The public submission period was between 23 January 2012 and 20 February 2012. During this time System Management received one submission from Landfill Gas & Power (LGP).

In its submission LGP noted its support for the replacement PSOPs and generally advised an editorial read-through of the documents to remove duplication and improve consistency and clarity.

With respect to the PSOP: Facility Outages, LGP noted that section 2.1 (Participant Contacts) provides that:

“Depending on the circumstances, System Management may communicate directly with participants or request participants to seek resolution amongst themselves.”

LGP noted that it is unclear exactly what is to be resolved and how a participant is to identify a party with which it is to achieve resolution. Furthermore, LGP suggested that this provision more properly belongs in section 6 (Acceptance of Outage Plans).

A full copy of LGP’s submission is available on the Market Web Site.

3.3 Submissions received during the further consultation period

System Management provided interested parties with a further consultation period which was between 19 March 2012 and 29 March 2012. During this time System Management received submissions from Alinta Energy and the IMO.

Alinta Energy did not make any specific comments on the Facility Outages, Monitoring and Reporting or Commissioning and Testing PSOPs in its submission.

In its submission the IMO provided support for System Management’s decision to undertake a further round of consultation on the replacement PSOPs. The IMO attached a copy of its questions and suggestions on all the relevant PSOPs that have been provided for further consultation to its submission. These include the issues that were raised during the RDIWG’s discussion on 22 March 2012. An overview of the relevant issues raised in the log is presented below:

- Facility Outages PSOP – Verve Energy/Synergy do not come under the Corporations Act. The PSOP might need to be amended to refer to “or equivalent”;
- Facility Outages PSOP – Section 6.2.2 restricts System Management’s ability to assess the Outage Plan to a narrower scope than that provided for in the Market Rules;
- Monitoring and Reporting PSOP – Appendix A does not adequately reflect the new concepts of Operating Instructions and Resource Plan adherence;

- Commissioning and Testing PSOP – The concepts of test windows and how they relate to the rigid test plan outlined in Appendix A is unclear; and
- Commissioning and Testing PSOP – It is not clear how System Management plans to issue Operating Instructions in regards to Commissioning Tests.

A full copy of each of the submissions received during the further consultation period is available on the Market Web Site.

4. THE IMO'S ASSESSMENT

The IMO is required under clause 2.10.14 of the Market Rules to make a decision whether to approve a proposed PSOP, or amendment to or replacement for a PSOP, prepared by System Management.³ The IMO has undertaken an assessment of the proposed amendments in light of the requirements outlined clause 2.9.3(a) of the Market Rules which require 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.

The IMO has also reviewed the commencement date proposed by System Management to ensure that it will allow sufficient time after the date of publication of the Procedure Change Report for Rule Participants to implement changes required by it (clause 2.10.15(c)).

The IMO notes that in assessing the proposed replacement PSOPs it has taken into account the issues and suggestions raised during the consultation process (Section 3 of this report). The IMO has reviewed the recommendations made by the working groups and provided in submissions received during the consultation period and confirms that, where appropriate, these have been included into the replacement PSOPs.

The IMO's assessment of System Management's proposed replacement PSOP: Commissioning and Testing, PSOP: Facility Outages and PSOP: Monitoring and Reporting is outlined in the following sections.

4.1 Wholesale Market Objectives

The IMO considers that the proposed replacement PSOP: Commissioning and Testing, PSOP: Facility Outages and PSOP: Monitoring and Reporting are drafted in a way that does not change the operation or objectives of the Market Rules, as amended by RC_2011_10. As a result, the IMO considers that the proposed replacement PSOP: Commissioning and Testing, PSOP: Facility

Outages and PSOP: Monitoring and Reporting, as a whole, support the achievement of the Wholesale Market Objectives through the new Balancing and LFAS Markets.

4.2 Market Rules, the Electricity Industry Act and Regulations

The IMO considers that the proposed replacement PSOP: Commissioning and Testing, PSOP: Facility Outages and PSOP: Monitoring and Reporting are consistent with:

- the Market Rules,
- the Electricity Industry Act; and
- the Regulations.

The IMO also considers that the proposed replacement PSOP: Commissioning and Testing, PSOP: Facility Outages and PSOP: Monitoring and Reporting are consistent with all other Market Procedures.

4.3 Implementation of the replacement Power System Operation Procedures

In its Procedure Change Report, System Management does not identify any operational considerations that need to be taken into account when determining the implementation date for PPCL0023 and recommends that the replacement PSOPs commence on the Balancing Market Commencement Day. The IMO also notes that the submissions received during the public consultation process did not provide any evidence to suggest that Market Participants would be not able to implement the revised processes in the replacement PSOPs by the Balancing Market Commencement Day.

The implementation of the replacement Market Procedures constitutes part of the overall implementation of the new Balancing and LFAS Markets. The IMO considers that the proposed replacement PSOPs will support the operation of the new markets 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 markets.

The IMO considers that System Management's proposed commencement date at 8.00am on the Balancing Market Commencement Day should allow sufficient time from the date of publication of System Management's Procedure Change Report to ensure compliance with the replacement PSOPs.

5. THE IMO'S DECISION

The IMO's decision is to approve the replacement PSOP: Commissioning and Testing, PSOP: Facility Outages and PSOP: Monitoring and Reporting as proposed by System Management in its Procedure Change Report.

5.1 Reasons for the decision

The IMO's decision is based on its assessment that the replacement PSOP: Commissioning and Testing, PSOP: Facility Outages and PSOP: Monitoring and Reporting:

- will enable the operation of, and facilitate participant in the new Balancing and Load Following Markets and thereby support the achievement of the Wholesale Market Objectives;
- have the support of the submission received during the public consultation period;
- are consistent with the Market Rules, the 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 report.

6. THE REPLACEMENT POWER SYSTEM OPERATION PROCEDURES

6.1 Commencement

The replacement PSOP: Commissioning and Testing, PSOP: Facility Outages and PSOP: Monitoring and Reporting will commence at **8.00am** on the **Balancing Market Commencement Day**.

6.2 The Replacement Power System Operation Procedure

The wording of the approved replacement PSOP: Commissioning and Testing, PSOP: Facility Outages and PSOP: Monitoring and Reporting are available on the Market Web Site.