



Procedure Change Report

Title: Amendments to the Market Procedure for Reserve Capacity Performance Monitoring

Ref: PC_2008_07

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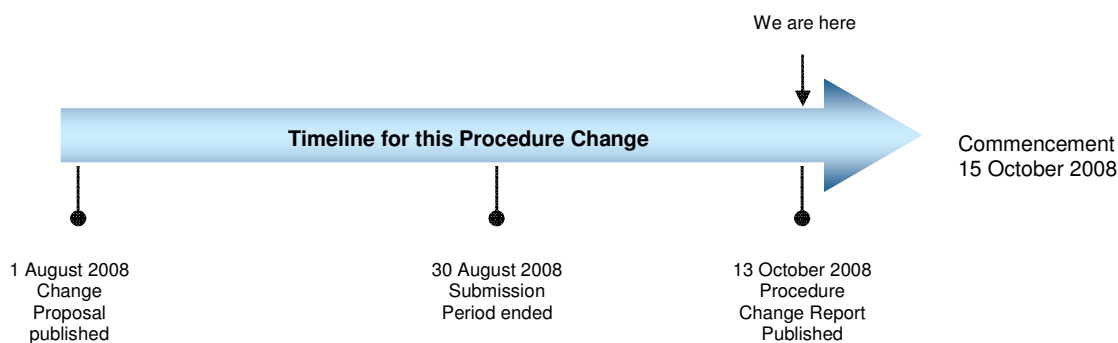
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INTRODUCTION

On 1 August 2008, the IMO published a Procedure Change Proposal titled Amendments to the Market Procedure for Reserve Capacity Performance Monitoring. The proposal has been processed according to the Procedure Change Process under section 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

THE PROPOSED PROCEDURE

The market procedure for Reserve Capacity Performance Monitoring was developed before the start of the Wholesale Electricity Market in September 2006. Recent changes to the Wholesale Electricity Market Rules pertaining to Commissioning Tests, and in particular clarification of the way in which a Market Participant can notify acceptance of its Reserve Capacity Obligations for new facilities have required changes to this procedure.

This procedure was proposed to be amended in order to:

- Update a number of typographical and minor items identified in the existing procedure; and
- Provide a list of information that may be required by the IMO in assessing if a Market Participant is capable of fully meeting its Reserve Capacity Obligations in respect of new facilities (and facility

upgrades). The inclusion of this list in a Market Procedure was suggested by the Market Advisory Committee.

THE WORDING OF THE PROPOSED PROCEDURE

The wording of the procedure, as proposed by the IMO, is available on the IMO's web site:

http://www.imowa.com.au/Attachments/MarketProcedures/ProcedureChange_2008_07.htm

SUBMISSIONS RECEIVED

The IMO did not receive any submissions during the public submission period. Consequently, the IMO has concluded that Participants support the proposed amendments to the Market Procedure for Reserve Capacity Performance Monitoring.

THE MARKET ADVISORY COMMITTEE

The inclusion of a list of information that may be required by the IMO in assessing a Market Participant is capable of fully meeting its Reserve Capacity Obligations was suggested by the Market Advisory Committee.

The proposed procedure has been assessed by the IMO Market Procedure Development Group, a group of Industry Representatives set up by the Market Advisory Committee to assist the IMO in developing Market Procedures. The group met to discuss the proposed amendments to the procedure on 28 May 2008.

THE PROPOSAL AND THE WHOLESALE MARKET OBJECTIVES

The amendment will enable the procedure to be better aligned with the requirements of the Market Rules. The IMO considers that the amended procedure will have the following impact on the market objectives:

Impact	Wholesale Market Objectives
Allow the Market Rules to better address objective	a
Consistent with objective	b, c, d and e
Inconsistent with objective	-

The IMO's assessment against market objective (a) is as follows:

- (a) *to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;*

The procedure will allow the IMO to request supporting evidence from Market Participants to complete its assessment of whether a facility is capable of fully meeting its Reserve Capacity Obligations by a nominated date, in respect of new facilities (and facility upgrades). This will improve clarity in the processes of the Reserve Capacity Mechanism, and allow more appropriate and timely reporting of the progress of new facilities. The proposed procedure will also help to ensure that

facilities can meet their obligations and improve the reliability and security of new facilities that are entering the Wholesale Electricity Market.

THE IMO'S DECISION

No party expressed any concerns regarding the proposed new Market Procedure for Determination of Maximum Reserve Capacity Price. The IMO therefore finds it appropriate to adopt the procedure as proposed in its Procedure Change Proposal.

The amended procedure is published on the IMO's website, together with this Procedure Change Report.

COMMENCEMENT

The procedure is of an administrative nature and will not require Rule Participants or the IMO to implement any procedural or system amendments before it can commence.

The Market Procedure for Determination of Maximum Capacity Reserve Prices will commence at 08.00am on 15 October 2008.

GENERAL ABOUT PROCEDURES AND PROCEDURE CHANGES

Clause 2.9.3 of the Market Rules states that Market Procedures:

- (a) must be:
 - i. developed, amended or replaced in accordance with the process in the Market Rules;
 - ii. consistent with the Wholesale Market Objectives; and
 - iii. consistent with these Market Rules, the Electricity Industry Act and Regulations; and
- (b) may be amended or replaced in accordance with clause 2.10 of the Market Rules and must be amended or replaced in accordance with clause 2.10 where a change is required to maintain consistency with Amending Rules.

The IMO or System Management, as applicable, may initiate a Procedure Change Process by developing a Procedure Change Proposal. Rule Participants may notify the IMO or System Management, as applicable, where they consider an amendment or replacement of a Market Procedure would be appropriate.

If Amending Rules require the IMO or System Management to develop new Market Procedures or to amend or replace existing Market Procedures, then the IMO or System Management, as applicable, is responsible for the development of amendments to or replacement for Market Procedures so as to comply with the Amending Rules.