



Independent Market Operator

**Procedure Change Final Report
Title: Changes to Market Procedure for
Reserve Capacity Testing**

PC_2011_05

Standard Procedure Change Process

Date: 23 September 2011

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EXECUTIVE SUMMARY

Procedure Change Proposal

The IMO proposed amendments to:

- Reflect the Amending Rules resulting from a number of Rule Change Proposals that are about to commence, including RC_2010_12 and RC_2010_29;
- Remove the references to Verification Tests undertaken by DSPs for consistency with the Heads of Power of the Market Procedure; and
- Require a Demand Side Programme provider to notify in advance the IMO and System Management that the Facility will be verifying its performance by observation during a specific Trading Interval.

Consultation

- The IMO Procedure Change and Development Working Group was provided the amendments for out of session comment on 15 July 2011. Comments received were incorporated into the proposal where appropriate.
- The IMO formally submitted the Procedure Change Proposal and issued a notice calling for submissions on 5 August 2011. The public submission period was between 8 August 2011 and 2 September 2011.
- Submissions were received from EnerNOC, Landfill Gas & Power and Synergy. All submissions supported the proposed amendments, albeit suggesting a number of further refinements.

Assessment against Wholesale Market Objectives

The IMO has found the proposed amendments to be consistent with the Wholesale Market Objectives.

The IMO's Decision

The IMO's decision is to accept the Procedure Change Proposal as modified following the public consultation period.

Next steps

The amended Market Procedure for Reserve Capacity Testing will commence at **8:00am** on **1 October 2011**.

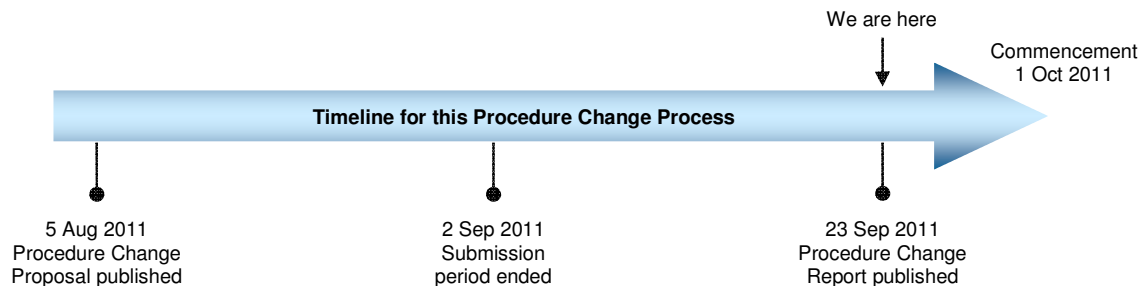


1. PROCEDURE CHANGE PROCESS AND TIMELINE

On 5 August 2011, the Independent Market Operator (IMO) published a Procedure Change Proposal titled “Changes to Market Procedure for Reserve Capacity Testing”.

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 The Procedure Change Proposal

The IMO proposed to implement the following changes to the Market Procedure for Reserve Capacity Testing:

- Reflect the Amending Rules resulting from the Rule Change Proposal: Curtailable Loads and Demand Side Programmes (DSPs) (RC_2010_29) that will commence on 1 October 2011¹;
- Reflect the Required Level concept proposed under the Rule Change Proposal: Reserve Capacity Security (RC_2010_12) that will commence on 1 October 2011²;
- Remove the references to the Verification Tests undertaken by DSPs for consistency with the Heads of Power of the Market Procedure provided under clause 4.24.14 of the Market Rules; and
- Require a DSP provider to notify in advance the IMO and SM that the Facility will be verifying its performance by observation during a specific Trading Interval (see steps 1.9.5 and 1.11.1 for further details). This change has been incorporated to ensure that System Management is aware of any such test in advance and to allow System Management to incorporate these tests into the load forecast that is issued on the morning of the Scheduling Day.

To improve the integrity of the Market Procedure, the IMO also proposed a small number of minor and typographical amendments.

¹ For further details refer to the following webpage: http://www.imowa.com.au/RC_2010_29

² For further details refer to the following webpage: http://www.imowa.com.au/RC_2010_12



Full details of the Procedure Change Proposal are available in Appendix 1 of this report.

3. CONSULTATION

3.1 Market Advisory Committee or Working Group

The Market Advisory Committee (MAC) has delegated the role of considering IMO Procedure Change Proposals to the IMO Procedure Change and Development Working Group (Working Group) (clause 2.3.17(a)). Therefore the MAC has not reviewed the Procedure Change Proposal. However, in accordance with clauses 2.10.8 and 2.10.9 the IMO notified the MAC once the Procedure Change Proposal had been published and noted that it would convene a meeting of the MAC to discuss should two or more members request it. No MAC member contacted the IMO in this regard.

The proposed amended Market Procedure was provided for out of session comment to the IMO Market Procedures Working Group on 15 July 2011. Comments received from working group members have been incorporated into the proposed amendments where applicable.

3.2 Submissions received during consultation period

The IMO received submissions from EnerNOC, Landfill Gas & Power (LGP) and Synergy during the public consultation period. The full text of the submissions is available on the IMO website.

All submissions received supported the proposed amendments, with both Synergy and EnerNOC making specific reference to the incorporation of the requirement for a DSP to provide advance notice to the IMO and System Management that it is undertaking a self-test of its performance. Both EnerNOC and Synergy recommend a number of further clarifications to the Market Procedure which are outlined and responded to below.

Both LGP and Synergy consider the proposed amended Market Procedure is consistent with the Market Objectives. Synergy also considers the amended Market Procedure is consistent with the Amending Rules resulting from RC_2010_12 and RC_2010_29. EnerNOC contends that as currently drafted the amended procedure does not appear to comply with clauses 4.25.2 and 4.25.4 of the Market Rules.

3.3 The IMO's response to submissions received during the consultation period

The IMO's response to each of the issues identified during the consultation period is presented in the table over the page.

Clause/Issue	Submitter	Comment/Change Requested	IMO's response
4.25.2(b)	EnerNOC	<p>In its attempts to codify these established practices of compliance with 4.25.2(b)(i), PC_2011_05 as currently written appears to unintentionally combine 4.25.2(b)(i) with 4.25.2(b)(ii), so that if a DSP fails a self-scheduled Reserve Capacity Test under 4.25.2(b)(i), the DSP is then subject to a re-test from System Management under 4.25.4.</p> <p>EnerNOC respectfully contends that this is not the intended effect of 4.25.4, which explicitly states that a re-test of Reserve Capacity by System Management is a result of a failure to perform under a Reserve Capacity Test required by the IMO, or 4.25.2(b)(ii) only. As such EnerNOC believes that PC_2011_05 should be modified to clarify the specific consequence of failing a self-scheduled Reserve Capacity test. In EnerNOC's view the effect of failing a self-scheduled Reserve Capacity test should simply be the continued ability for System Management to test the Facility under 4.25.2(b)(ii), as failure would mean that the performance thresholds described in 4.25.2(b)(i) have not been met.</p> <p>EnerNOC does recognise that it may be prudent to put some bounds on the maximum number of times that a DSP can self-schedule a Reserve Capacity test. Yet, even if DSPs are only allowed to self-schedule a single test, the DSP in question should then be subject to its first test by System Management under 4.25.2(b)(ii) and then only after failure of that test, be subject to a re-test under 4.25.4 (or the results of a subsequent dispatch, per 4.25.3B, as appropriate).</p>	<p>The IMO notes that the intent is that a DSP can undertake as many self-scheduled tests as required. These will not count as the first test unless the IMO deems a facility to have achieved a level of output equivalent to its Required Level, scaled to the level of Capacity Credits currently held (and therefore passed the Reserve Capacity Test). This is consistent with the ability of Scheduled Generators to undertake multiple self-scheduled tests.</p> <p>The IMO has amended the proposed Market Procedure to better clarify this ability to undertake multiple self-scheduled tests.</p>
Dispatchable and Interruptible	Synergy	While the amendments take full account of the requirements in respect of testing Demand Side	The IMO agrees that the extension of the concept of Reserve Capacity Testing to Dispatchable Load and Interruptible Load

Clause/Issue	Submitter	Comment/Change Requested	IMO's response
Loads		Programmes, occasionally such references have not be extended to include Dispatchable Load and Interruptible Load Facilities which can also be assigned Capacity Credits and would therefore be subject to Reserve Capacity Tests. In this regard Synergy recommends that the IMO consider including, where it believes it to be appropriate, such references in the following Market Procedure steps: 1(a); 1.8.1(b); 1.8.7(b); 1.9.5 and 1.11.1.	<p>Facilities should apply throughout the Market Procedure; however this is not currently provided for in the Market Rules. To ensure consistency with the Market Rules the amended Market Procedure therefore can not incorporate additional references to these facility types in a number of procedure steps.</p> <p>The issues around Dispatchable Loads and Interruptible Loads in the Market Rules extend beyond Reserve Capacity Testing. For example, under the Amending Rules for RC_2010_12 these Facilities will not have a Required Level determined for them. There are also issues around the calculation of capacity refunds for these facilities. These issues have been included in the IMO's rule change suggestion log and will be prioritised for consideration at a later date.</p>
Notification prior to verifying performance by observation	Synergy	Recommends that step 1.8.7(a) be made subject to step 1.9.5 to clearly and unambiguously signal to Market Participants the importance of providing the notification required under step 1.11.1	<p>As noted above, a self-scheduled test does not count as the first reserve capacity test and will be only considered as the first test where it has been passed.</p> <p>The criteria outlined in the original proposal for being deemed to have either passed or failed a Reserve Capacity Test relates to output achieved during a test by System Management for either a DSP or Scheduled Generator. In the case of a self-scheduled test for either facility type multiple tests may be undertaken, however to have passed the Facility must be deemed by the IMO to have met the level of output defined in the Market Procedure. In the case of the DSP a notification under step 1.11.1 must also have been provided. A clarification of this has been incorporated into steps 1.8.6 and 1.8.7.</p>
Adjustment to Capacity Credits following re-test	Synergy	Recommends the IMO consider including in the Market Procedure the actions it will take, if any, in respect of further adjusting Capacity Credits that were reduced in	The IMO has included further details of the process for further adjusting Capacity Credits that were previously reduced following a re-test of a Facility. The IMO notes that

Clause/Issue	Submitter	Comment/Change Requested	IMO's response
		<p>respect of previous Reserve Capacity Tests, where the re-test results in a value exceeding the reduced Capacity Credits. In Synergy's view, it is important for Market Participants to understand the implications and consequences, if any, of requesting a re-test under steps 1.11.4 and 1.11.5.</p>	<p>where a re-test is undertaken, the Capacity Credits will be adjusted to the level of output achieved during that test (and not the higher of the re-test and not to the maximum level produced during all three tests).</p>

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.

The IMO's assessment is outlined in the following sub-sections

4.1 Additional Amendments to the Market Procedure

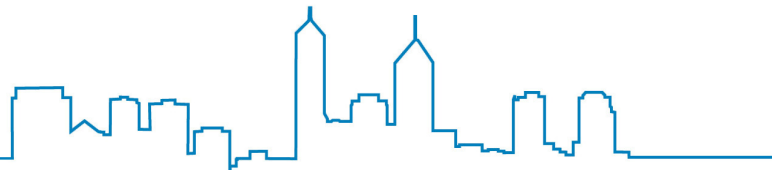
Following the public consultation period the IMO has made some amendments to the proposed amended Market Procedure including to:

- Reflect the suggestions received in submissions during the consultation period, where appropriate;
- Incorporate details of the requirements for Verification Tests, consistent with the requirement specified in amended clause 4.25A.1 resulting from RC_2010_29 which will commence on 1 October 2011. In particular, the amended clause required each Verification Test to be "...conducted in accordance with the Reserve Capacity Procedure..." As such the IMO considers it is appropriate to incorporate details of Verification Tests as part of the Reserve Capacity Testing: Reserve Capacity Procedure³;
- Allow for the IMO to re-determine the result of a Reserve Capacity Test if an error was made in the initial calculation of the Required Level (step 1.11.8). Previously the Market Procedure required that the test was deemed to be an Invalid Test;
- Amended the timeline for assessment of test results in steps 1.10.8 and 1.10.10 to require the IMO to determine the test result within 10 Business Days of receipt of the test results from System Management, metering data and temperature data (where applicable). The Market Procedure previously required that the result was determined 10 Business Days after receiving the results of the test from System Management, but this did not consider that meter and temperature data may not yet be available for the IMO to determine the test result; and
- Improve the integrity of the Market Procedure.

4.2 Wholesale Market Objectives

The IMO considers that the Market Procedure, as a whole, if amended will be consistent with the Wholesale Market Objectives. The steps described in the proposed amended Market Procedure for Reserve Capacity Testing facilitate the Reserve Capacity testing processes

³ Note that the Reserve Capacity Procedure is a Market Procedure under the Market Rules.



described in section 4.25 and 4.25A of the Market Rules. The IMO considers that the steps are drafted in a way that does not change the operation or objectives of the Market Rules.

4.3 Wholesale Market Rules, the Electricity Industry Act and Regulations

The IMO considers that the proposed amended Market Procedure is consistent, as a whole, with the Market Rules, 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 Market Procedure will not require Rule Participants or the IMO to implement any procedural or system amendments before it can commence. Consequently, the IMO considers that commencement at **8:00 am on 1 October 2011** will allow Rule Participants sufficient time from the date of publication of this Procedure Change Report to ensure compliance with the amended Market Procedure.

The IMO notes EnerNOC's contention that the amendments have potential implications it must weigh before deciding to self-schedule a Reserve Capacity test and that EnerNOC has not attempted to estimate the costs that may be incurred and the time required in order to comply with the amendments.

5. THE IMO'S DECISION

The IMO's decision is to approve the proposed Market Procedure for Reserve Capacity Testing as proposed in the Procedure Change Proposal and modified following the public consultation period.

The IMO has made its decision on the following basis. The amended Market Procedure for Reserve Capacity Testing:

- is consistent with the Wholesale Market Objectives;
- is consistent with the Market Rules, Electricity Industry Act and Regulations;
- had the general support of the Working Group and submissions received during the consultation period; and
- requires 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 AMENDED MARKET PROCEDURE

6.1 Commencement

The amended Market Procedure for Reserve Capacity Testing will commence at **8.00 am on 1 October 2011**.



6.2 The Amended Market Procedure

The amended Market Procedure for Reserve Capacity Testing is attached to this report and is also available on the IMO's website: www.imowa.com.au/PC_2011_05