



INDEPENDENT
MARKET
OPERATOR

Procedure Change Report

Title: Certification of Reserve Capacity

PC_2012_07
Procedure Change Process

Date: 18 March 2013

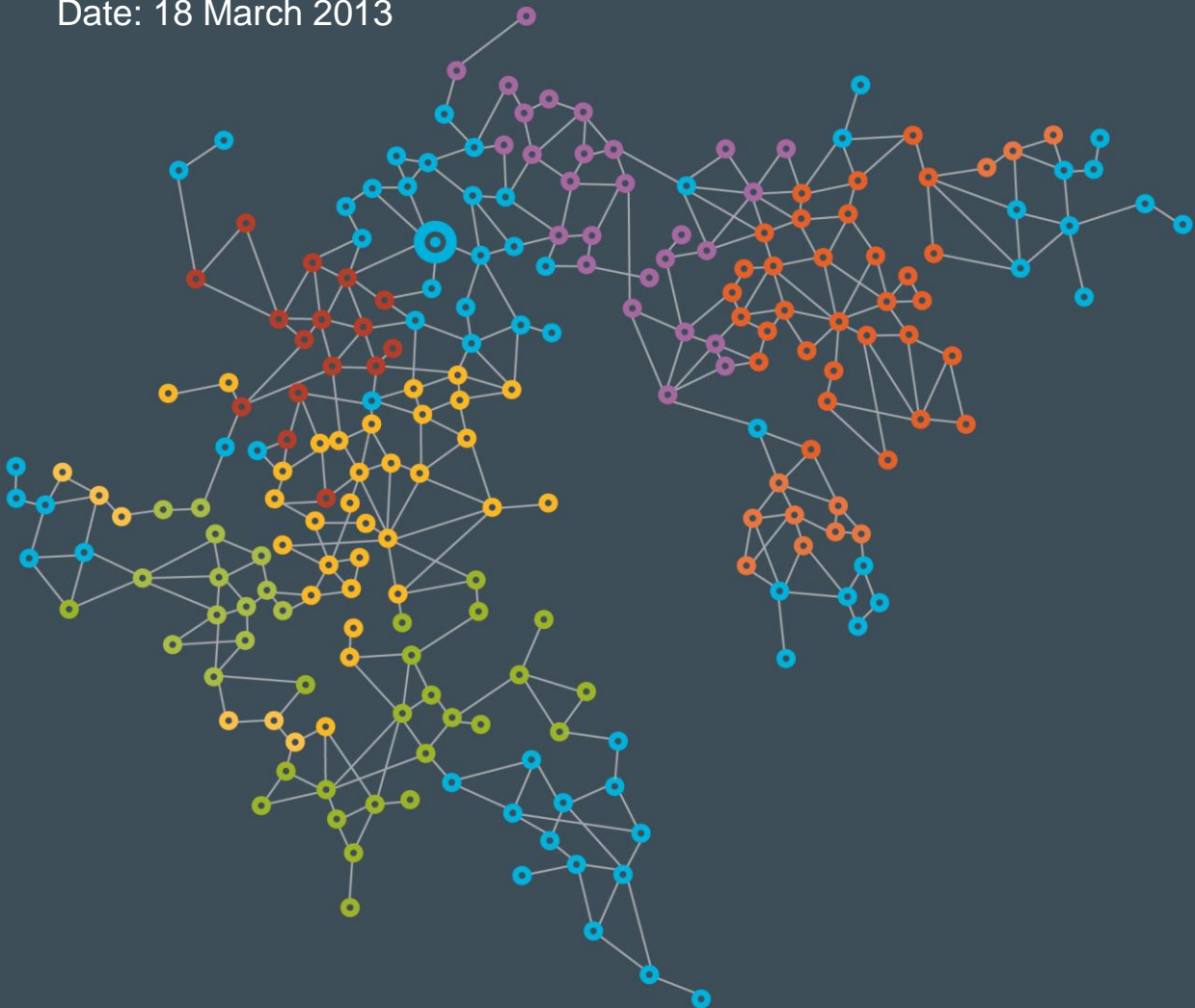


TABLE OF CONTENTS

1. Procedure Change Process and Timetable	4
2. Proposed amended Market Procedure	4
2.1. The Procedure Change Proposal	4
3. Consultation	5
3.1. Market Advisory Committee or Working Group	5
3.2. Public Workshop	5
3.3. Submissions received during consultation period	5
4. The IMO's assessment	7
4.1. Further changes to the Market Procedure	7
4.2. Wholesale Market Objectives	7
4.3. Wholesale Market Rules, the Electricity Industry Act and Regulations	7
4.4. Implementation of the Market Procedure	7
5. The IMO's decision	8
6. The amended Market Procedure	8
6.1. Commencement	8
6.2. The amended Market Procedure	8

Executive Summary

Proposed amendments

The proposed amended Reserve Capacity Procedure for Certification of Reserve Capacity (Procedure) has been developed to reflect the IMO's new format and to ensure consistency and clarity with the Amending Rules that have commenced since the Procedure was last updated. The amended Procedure specifies the processes that the IMO and Market Participants need to undertake when submitting and assessing applications for Certified Reserve Capacity or Early Certified Reserve Capacity.

Consultation

- The proposed amended Procedure was discussed by the IMO Procedure Change and Development Working Group at the 14 August 2012 meeting. Minutes from the meeting are available on the Market Web Site: <http://www.imowa.com.au/IMO-Procedures-Working-Group>.
- The IMO formally submitted the Procedure Change Proposal and issued a notice calling for submissions on 3 September 2012.
- The IMO received two formal submissions from Community Electricity and Verve Energy during the public consultation period and one informal submission from Community Electricity.

The IMO's Assessment of the Proposal

The IMO considers that the amended Market Procedure as a whole is consistent with the Wholesale Market Objectives.

The IMO's Decision

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

Next steps

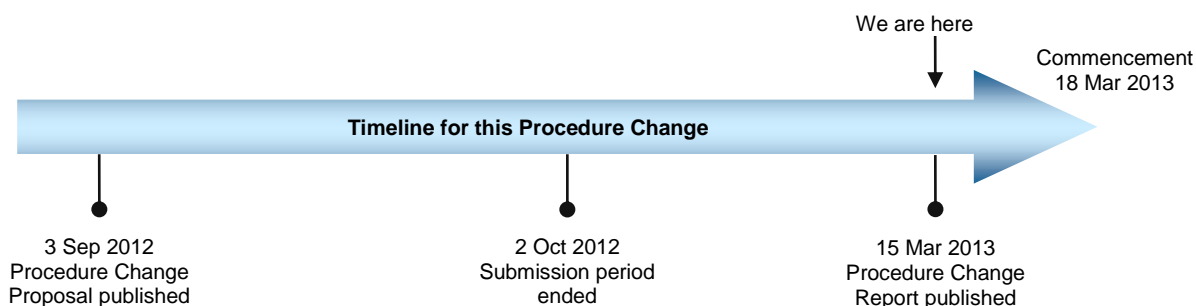
The amended Market Procedure for Certification of Reserve Capacity will commence **8.00 AM 18 March 2013**.

1. Procedure Change Process and Timetable

On 3 September 2012 the Independent Market Operator (IMO) submitted a Procedure Change Proposal regarding amendments to the Reserve Capacity Procedure for Certification of Reserve Capacity (PC_2012_07).

This proposal is being processed using the Procedure Change Process, described under clause 2.10 of the Market Rules.

The key dates in processing this Procedure Change Proposal are:



2. Proposed amended Market Procedure

2.1. The Procedure Change Proposal

The Reserve Capacity Procedure for Certification of Reserve Capacity (Procedure) outlines the processes that the IMO and Market Participants must follow with respect to applications for Certified Reserve Capacity or Early Certified Reserve Capacity. The Procedure also provides details of the process that the IMO follows in approving Capacity Credits associated with Early Certified Reserve Capacity and specifies the format of data required to be submitted in the application for certification of Reserve Capacity.

The IMO proposes to update the Procedure to:

- reflect the IMO's new format arising from its Market Procedure project; and
- ensure consistency with the Amending Rules that commenced since the Procedure was last updated on 15 December 2010, including the following Rule Change Proposals:
 - Certification of Reserve Capacity (RC_2010_14);
 - Curtailable Loads and Demand Side Programmes (RC_2010_29);
 - Calculation of the Capacity Value of Intermittent Generation Methodology 1 (IMO) (RC_2012_25);
 - Competitive Load Following and Balancing Market (RC_2011_10); and
 - Calculation of Availability Class Quantity Correction (RC_2011_14).

For full details of the Procedure Change Proposal please refer to the Market Web Site: http://www.imowa.com.au/PC_2012_07

3. Consultation

3.1. Market Advisory Committee or Working Group

The Market Advisory Committee (MAC) has delegated to the IMO Procedure Change and Development Working Group (IMOPWG) (clause 2.3.17(a)) to consider IMO Procedure Change Proposals and accordingly the MAC has not reviewed this 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 should two or more members request it. No MAC member contacted the IMO in this regard.

The proposed amended Market Procedure was provided to the IMOPWG for discussion at its 14 August 2012 meeting. A further update to the Market Procedure to reflect the agreed changes from the meeting was provided to IMOPWG members on 3 September 2012 when the proposed amended Market Procedure was submitted into the formal Procedure Change Process.

For further details of the discussion at the 14 August 2012 Working Group meeting refer to the following webpage: <http://www.imowa.com.au/IMO-Procedures-Working-Group>.

3.2. Public Workshop

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

3.3. Submissions received during consultation period

The public consultation period for the proposed amended Market Procedure was held between 4 September 2012 and 2 October 2012. The IMO received two formal submissions during the consultation period from Community Electricity and Verve Energy and one informal submission from Community Electricity. Both Community Electricity and Verve Energy supported the proposal and considered that the proposed amended Market Procedure as a whole was consistent with the Wholesale Market Objectives. In particular, Verve Energy considered that the amended Market Procedure would better achieve Market Objective (b) by removing any ambiguity for the facilitation of entry for new investors. The submitting parties did not identify any costs or practicality of implementation issues associated with the proposed amendments.

Specific suggestions made by submitters and the IMO's response to them are detailed below:

Submitter	Issue/Suggestion	Response
Community Electricity	While Community Electricity supports the concept of denying capacity certification to a Market Participant who has not met sufficient performance standards, it is concerned that such a scenario could have significant commercial impacts both on the Market Participant and the market. As a result, Community Electricity recommends that the IMO incorporate a step under section 3.5 which provides for the IMO to warn the participant of its intention to deny certification, its reasons and a request for a remedy specifying the	The IMO agrees with Community Electricity's suggestion and has incorporated a new step (step 3.5.3) into the Market Procedure. The step contains a requirement for the IMO to notify the applicant that they have breached the outage threshold. Subsequent to this, the IMO has also amended step 3.5.4 to include that a notification issued under step 3.5.3 may include a request for further information from the applicant.

Submitter	Issue/Suggestion	Response
	minimum action required by the Market Participant for certification to be granted.	
Community Electricity	Community Electricity notes that the reference to step 3.8 relating to notifications of assigned Certified Reserve Capacity in step 3.5.6 is not correct and requires amending.	The IMO agrees with Community Electricity's suggestion. The IMO has amended step 3.8 so that it explicitly defines the notification process involved when the IMO accepts or rejects the application for certification of Reserve Capacity.
Community Electricity	Community Electricity noted several typographical and grammatical amendments to the Market Procedure to improve clarity and consistency.	The IMO acknowledges Community Electricity's suggestions and has incorporated them into the amended Market Procedure.
Verve Energy	Verve Energy suggests that step 5.5.2 be amended to replicate the end of the sentence in step 4.6.1 which provides for the "Facility's ability to provide energy upon request." This is to ensure consistency throughout the Procedure.	The IMO acknowledges Verve Energy's submission. The IMO considers that it would be inappropriate to replicate the wording in step 5.5.2 and step 4.6.1. Step 4.6.1 relates to Facilities that are assessed under clause 4.11.1(a) (such as Scheduled Generators) for which the IMO must determine its reasonable expectation of the capacity that is likely to be available at times of peak demand. In this case, the IMO is concerned with limitations on the ability of the Facility to be dispatched. Step 5.5.2(a), however, relates to Facilities which are assessed under clause 4.11.2(b) (such as Non- Scheduled Generators), for which the calculation of Certified Reserve Capacity is based on previous meter data and not on 'dispatchability' per se. In this case, the IMO is concerned with limitations on the ability of the Facility to operate at its full output level.
Verve Energy	Verve Energy suggests that Step 6.1.2(b) be amended to reflect the amendments resulting from RC_2011_14: Calculation of Availability Class Quantity Correction, where Availability Class 2 is defined as being available for greater or equal to 72 hours. Currently in the Procedure, Availability Class 2 has been defined as being available for at least 72 hours but less than 96 hours.	The IMO agrees with Verve Energy's recommendation and has modified the definition of Availability Class 2 in the amended Market Procedure.

A copy of all submissions in full received during the submission period is available on the Market Web Site: http://www.imowa.com.au/PC_2012_07

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 two submissions on the proposed amendments. 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 public consultation process it has:

- checked for consistent use of terms throughout the Procedure;
- included a number of additional minor and typographical amendments to improve the overall integrity of the amended Procedure and to ensure consistency with the Market Rules;
- incorporated an additional step under section 3.5 to permit the IMO to notify the applicant that the outage threshold has been breached; and
- amended the definition of Availability Class 2 to ensure consistency with the Market Rules.

4.2. Wholesale Market Objectives

The steps described in the proposed amended Procedure facilitate the process required to be undertaken in the Certification of Reserve Capacity as described in chapter 4 of the Market Rules.

The IMO considers that the Procedure is drafted in a way that does not change the operation or objectives of the Market Rules. As a result, the IMO considers that the amended Procedure, as a whole, is consistent with the Wholesale Market Objectives.

4.3. Wholesale Market Rules, the Electricity Industry Act and Regulations

The IMO considers that the proposed amended Procedure is consistent, as a whole, with the Market Rules, the Electricity Industry Act and Regulations.

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

4.4. Implementation of the Market Procedure

The Market Procedure will not require the IMO or Rule Participants to implement any procedural or system amendments before it can commence. Consequently, the IMO considers that commencement at **8:00 AM on 18 March 2013** will allow Rule Participants sufficient time from the date of publication of this Procedure Change Report to ensure compliance with the amended Procedure.

5. The IMO's decision

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

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

- is consistent with the Wholesale Market Objectives;
- is consistent with the Market Rules, Electricity Industry Act and Regulations;
- has the 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 Certification of Reserve Capacity will commence at **8.00 AM** on **18 March 2013**.

6.2. The amended Market Procedure

The amended Market Procedure for Certification of Reserve Capacity is attached to this report and is also available on the Market Web Site: http://www.imowa.com.au/PC_2012_07