



System Management

Procedure Change Report
Ref: PPCL0022
Title: Replaced PSOPs: Competitive Balancing
and Load Following Market (Package 2)

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INTRODUCTION

This document is the Procedure Change Report for System Management proposed amendments to the Power System Operating Procedures: Ancillary Services and Power System Security.

- A Power System Operating Procedures Working Group Meeting was held on 12 December 2011
- This proposal was first published on the IMO website on 12 January 2012.
- A request for submissions to the proposal was published on 13 January 2012 with a deadline of 10 February 2012.
- Notice of a further consultation period was published on the IMO website on 19 March 2012 with a deadline of 29 March 2012.
- This Procedure Change Report is submitted to the IMO for publication on 6 June 2012.
- This proposed amended procedure is to commence on the Balancing Market Commencement Day.
- Commencement is pending approval by the IMO. Market Rule 2.10.14 requires the IMO to make its decision within 10 Business days of this Report being published.

THE WORDING OF THE AMENDMENT TO THE POWER SYSTEM OPERATING PROCEDURE

The amended procedures are attached to this Report.

THE REASON FOR THE AMENDMENT TO THE POWER SYSTEM OPERATING PROCEDURE

Following feedback from Market Participants and the findings of the Verve Energy Review, a proposal to establish competition in the provision of both the balancing and load-following ancillary service markets has been developed. The resulting amendments to the Market Rules have been documented in the Rule Change Notice: Competitive Balancing and Load Following Market RC_2011_10.

It has therefore been necessary for System Management to make related and relevant changes to the Power System Operating Procedures which are impacted by the proposed Rule changes in RC_2011_10.

System Management continuously seeks to improve the integrity and accuracy of the Power System Operation Procedures.

THE MARKET ADVISORY COMMITTEE

The Market Advisory Committee (MAC) did not meet regarding this procedure change proposal. However, these proposed amendments were considered in the Rules Development Implementation Working Group meeting held on 22 March 2012.

SUBMISSIONS

System Management received three submissions regarding these procedures, from Landfill Gas and Power, Alinta and the Independent Market Operator. The Independent Market Operator's submission summarised the matters raised in the Rules Development Implementation Working Group meeting of 22 March 2012.

LANDFILL GAS AND POWER

Landfill Gas and Power submitted:

"LGP is a member of the Rules Development Implementation Working Group and the Power System Operating Procedures Working Group.

LGP supports the Change Procedure Proposal in respect of the changes to both the Ancillary Services and Power System Security PSOPs."

ALINTA

Alinta submitted a response during the further consultation period covering issues relating to PPCL0021, PPCL0022 and PPCL0023. The issues relevant to PPCL0022 are set out below:

"20MW limitation of LFAS (Clause 2.1.1.k of Ancillary Services PSOP)

- as discussed at the RDIWG, the doubling of this quantity would appear to risk making the LFAS market non-contestable for many Market Generators.

Minimum Restart Time (Clause 4.1.d of Power Security PSOP)

- the reason for specifying the minimum restart time as the length of time for which a Facility has been offered at the maximum cap price is unclear - are these not independent? "

System Management's response to the submission by the Alinta:

Ancillary Services: LFAS limit

System Management accepts the Alinta's view that the PSOP may restrict competition in the LFAS market. System Management has worked with the IMO to remove the size limitation by instead limiting the amount of dead band per facility providing LFAS.

Power System Security: Minimum Restart Time

System Management accepts the Alinta's view and has removed the sub clause from the applicable paragraph (now paragraph 4.2.4) of the PSOP.

THE INDEPENDENT MARKET OPERATOR

The Independent Market Operator submitted a log of issues relating to PPCL0021, PPCL0022 and PPCL0023. The issues relevant to PPCL0022 are set out below:

Ancillary Services

Does not indicate how SM will apply its decisions under under 2.34.7C(b). This is required under clause 7B.1.2 (c)

The ancillary service PSOP does not indicate how SM will satisfy 7B.3.6. there is no requirement on SM to do this but it will enable MPs to have a greater understanding of the service they are expected to provide

System Management's response to the submission by the Independent Market Operator:

Ancillary Services: process detail

System Management accepts the IMO's view and has amended the PSOP to provide more information about the quantity and enablement requirements of a LFAS facility.

System Management also believes the PSOP now provides technical requirements that will enable System Management to apportion Load Following in reasonable proportions to LFAS facilities selected from the LFAS merit order.

ISSUES RAISED BY THE RULES DEVELOPMENT IMPLEMENTATION WORKING GROUP

Ancillary Services

The minimum requirement of 20MW to participate in the LFAS market is too restrictive.

System Management's response to the issues raised by the Rules Development Implementation Working Group:

Ancillary Services

System Management accepts the RDIWG's view that the PSOP may restrict competition in the LFAS market. System Management has worked with the IMO to remove the size limitation by instead limiting the amount of dead band per facility providing LFAS.

AMENDMENT TO THE POWER SYSTEM OPERATION PROCEDURE FOLLOWING PUBLIC CONSULTATION

System Management has made numerous amendments to the PSOPs covered by PPCL0022 in response to the feedback received during public consultation. The changes are identified in the attached documents. Deleted wording is shown in “strike through” and new wording has been underlined.

IMPLEMENTATION

System Management recommends this amended procedure commence on the Balancing Market Commencement Day.

The above date, in System Management's opinion, allows sufficient time after the date of publication of the IMO's approval of the Procedure Change Proposal under clause 2.10.14, for Rule Participants to implement changes required by this Proposal.