

The background of the lower half of the page is a photograph of a wind farm. Several white wind turbines are visible, with their blades extending outwards. In the foreground, a large metal lattice tower for high-voltage power lines stands prominently. The entire image is overlaid with a semi-transparent blue filter.

Market Operator

Procedure Change Report

**Title: The Market Procedure for
Undertaking the Long
Term PASA and
Conducting a Review of
the Planning Criterion**

Ref: PC_2009_11

Date: 24 May 2010

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Independent Market Operator

Level 3, Governor Stirling Tower

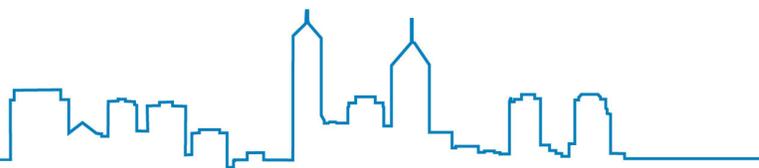
197 St George's Terrace, Perth WA 6000

PO Box 7096, Cloisters Square, Perth WA 6850

Tel. (08) 9254 4300

Fax. (08) 9254 4399

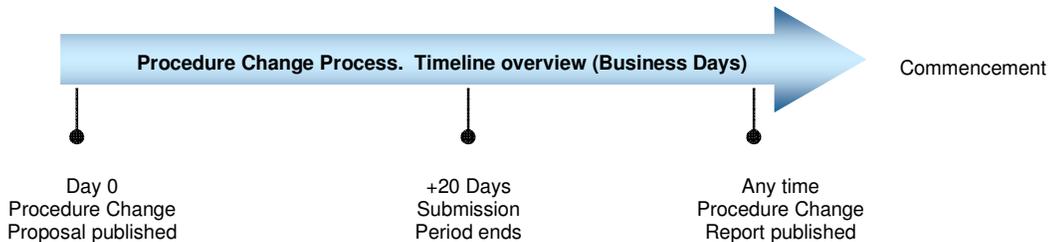
Email: imo@imowa.com.au Website: www.imowa.com.au



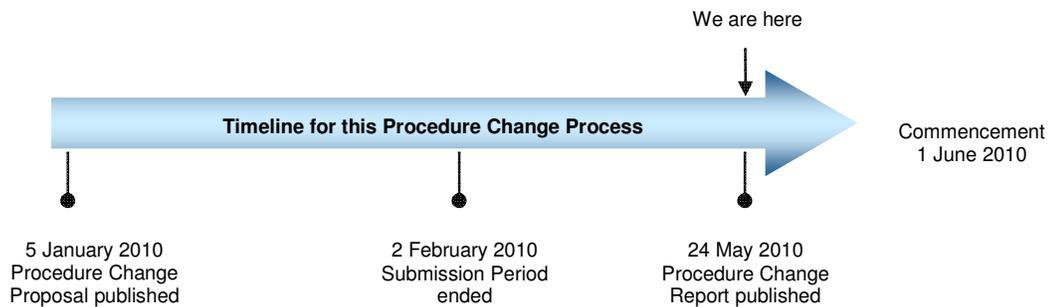
1. INTRODUCTION

On 4 January 2010, the Independent Market Operator (IMO) published a Procedure Change Proposal for the new Market Procedure: Undertaking the Long Term Projected Assessment of System Adequacy (PASA) and Conducting a Review of the Planning Criterion (Market Procedure).

The proposal has been processed in accordance with the Procedure Change Process in the Wholesale Electricity Market Rules (Market Rules) (clause 2.10). 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.

2. THE PROCEDURE CHANGE PROPOSAL

2.1 Details of the Proposal

The IMO proposed the new Market Procedure describing the process by which the IMO is to conduct the Long Term PASA and the five year review of the Planning Criterion.

The Market Procedure includes:

- an overview of the process Rule Participants must follow in providing information to the IMO to assist in the preparation of the Long Term PASA and Statement of Opportunity Report (SOO);

- an overview of the process the IMO is required to undertake in preparing the Long Term PASA and SOO¹;
- what the IMO will consider when determining whether a review of the Planning Criterion is required; and
- the degree of consultation to be applied in undertaking a review of the Planning Criterion, including the establishment of a Working Group to provide a formal industry forum for the review.

3. PUBLIC CONSULTATION PERIOD

3.1 Submissions received

The public submission period was between 5 January 2010 and 2 February 2010. The IMO received submissions from both Landfill Gas & Power (LGP) and Synergy during this period.

The details of the submissions received during the public submission period are summarised below. The full text of the submissions is available on the IMO website.

3.1.1 Submission from Landfill Gas and Power

LGP supports the Market Procedure as being a proper description of current practice.

Wholesale Market Objectives

LGP supports the IMO's contention that the new Market Procedure is consistent with all the Wholesale Market Objectives and implements current practice.

3.1.2 Submission from Synergy

In general Synergy supports the Procedure Change Proposal. However, Synergy considers that the Market Procedure requires some of the information to be presented in the Statement of Opportunities Report (SOO) is inconsistent with the Market Rules.

In particular, clause 4.5.13 of the Market Rules states that the SOO must include, among other things:

“the input information assembled by the IMO in performing the Long Term PASA study including, for each Capacity Year of the Long Term PASA Study Horizon:

- i. the demand growth scenarios used;*
- ii. the generation capacities of **each** generation Registered Facility;*
- iii. the generation capacities of **each** committed generation project;*

¹ The Long Term PASA is published as part of the SOO as a guide for Market Participants and potential investors.

iv. *the generation capacities of **each** probable generation project;”*

[Emphasis added]

Synergy considers that the intent of clause 4.5.13 is for the IMO to provide, to the market, separate generation capacities for individual generation facility. The Market Procedure replicates this requirement in step 2.10.2(a), however step 2.10.3 states that for the purpose of step 2.10.2, the IMO may publish **aggregated** information in the SOO.

Synergy considers that the provision of merely aggregate generation capacity information in the SOO does not meet the express intent of the Market Rules. For this reason Synergy considers that step 2.10.3 should be removed from the Market Procedure.

Wholesale Market Objectives

Synergy considers the proposed changes will be consistent with all the Wholesale Market Objectives once step 2.10.3 of the Market Procedure has been removed.

3.2 The IMO’s assessment of Public Consultation period responses

During the consultation period a potential issue was raised by Synergy regarding the publication of information under step 2.10.3 of the proposed Market Procedure. In particular, Synergy noted that the requirement under clause 4.5.13 is to publish individual information in the SOO rather than aggregated information, as proposed by the IMO.

The IMO agrees that clause 4.5.13 requires the IMO to provide generation capacities for individual Facilities and not aggregated generation capacities. The Market Procedure has been amended to remove step 2.10.3.

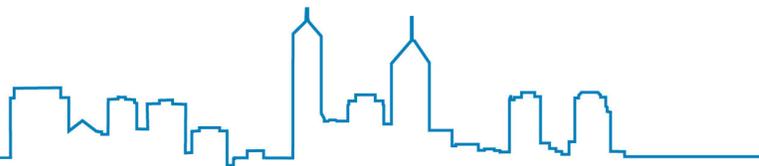
4. THE IMO’S ASSESSMENT

In determining whether to accept the Procedure Change Proposal, the IMO has assessed the Procedure Change Proposal 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 (Clause 2.9.3 (a)).

The Procedure Change Report prepared by the IMO must contain the following:



- the wording of the proposed Market Procedure or amendment to or replacement for the Market Procedure;
- the reason for the proposed Market Procedure or amendment to or replacement for the Market Procedure;
- all submissions received before the due date, a summary of those submissions and the response of the IMO or System Management, as applicable, to any issues raised;
- a summary of the views of the Market Advisory Committee (MAC); and
- a proposed date and time for the Market Procedure or amendment to or replacement to commence, which must allow sufficient time, in the IMO's opinion, after the date of publication for Rule Participants to implement changes required by it. (Clause 2.10.13)

The IMO's assessment is outlined in the following sections.

4.1 Wholesale Market Objectives

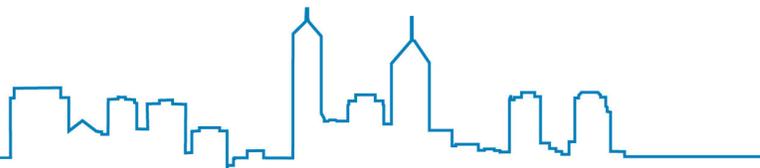
Market Procedures must be consistent with the Wholesale Market Objectives. (Clause 2.9.3(a) ii.)

The IMO considers that the Market Procedure, as a whole, if amended will be consistent with the Wholesale Market Objectives.

Wholesale Market Objective	Consistent with objective
(a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system	Yes
(b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors	Yes
(c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions	Yes
(d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system	Yes
(e) to encourage the taking of measures to manage the amount of electricity used and when it is used	Yes

4.2 Wholesale Market Rules, the Electricity Industry Act and Regulations

The IMO considers that the proposed new 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.

4.3 Views expressed in submissions

The IMO received two submissions from LGP and Synergy.

LGP and Synergy both supported the proposed new Market Procedure. However, Synergy raised concerns about the required to provide aggregated generation capacity information in the SOO as this would not meet the express intent of the Market Rules.

The IMO's responses to the issues raised during submissions are provided in section 3.2 of this report.

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 8:00am on 1 June 2010 will allow Rule Participants sufficient time from the date of publication of this Procedure Change Report to ensure compliance with the new Market Procedure.

4.5 Views of the Market Advisory Committee

The MAC did not meet to discuss the proposed new Market Procedure. However, the proposed procedure was discussed at the IMO Procedure Change and Development Working Group at the 13 August 2009 meeting. An update on the status of the action items resulting from this meeting was provided back to the Working Group at the 22 April 2010 meeting.

The Working Group was in general support of the proposed new Market Procedure. A number of minor and typographical amendments to the new procedure were discussed and agreed. These are outlined in the meeting minutes, available on the following webpage: <http://www.imowa.com.au/IMO-Procedures-Working-Group>.

Additionally it was agreed that:

- System Management's planning engineers would review the procedure and provide any feedback to the IMO: This was completed by System Management who provided the IMO with no further comments on the procedure.
- The IMO would consider defining the term of Long duration outage: The IMO has engaged McLennan Magasanik Associates to consider a definition of a Long duration outage to be included in the Market Procedure. This work is still underway. Following the completion of this work, the proposed definition will be provided to the IMO Procedures Working Group for consideration and a further Procedure Change Proposal submitted by the IMO.

- The IMO would investigate whether there might be a number of Intermittent Loads not registered under step 2.2.1(c) of the Market Procedure: This is currently underway. The results of the investigation will be provided back to the IMO Procedures Working Group by the end of 2010 for further consideration. The IMO does not consider that the outcomes of this investigation would impact on the content of the proposed new Market Procedure.

5. THE IMO'S DECISION

The IMO's decision is to approve the proposed Market Procedure for Undertaking the Long Term PASA and Conducting a Review of the Planning Criterion as proposed in the Procedure Change Proposal and updated following the public consultation process.

The IMO has made its decision on the following basis. The new Market Procedure:

- is consistent with the Wholesale Market Objectives;
- is consistent with the Market Rules, Electricity Industry Act and Regulations; 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 NEW MARKET PROCEDURE

6.1 Commencement

The Market Procedure for Undertaking the Long Term Projected Assessment of System Adequacy (PASA) and Conducting a Review of the Planning Criterion will commence at 08.00am on 1 June 2010.

The new Market Procedure as proposed by the IMO and updated following the public consultation process is available on the IMO's website: http://www.imowa.com.au/PC_2009_11