



Independent Market Operator

**Procedure Change Report
Title: Change to Market Procedure for
Procedure Administration**

PC_2011_07

Standard Procedure Change Process

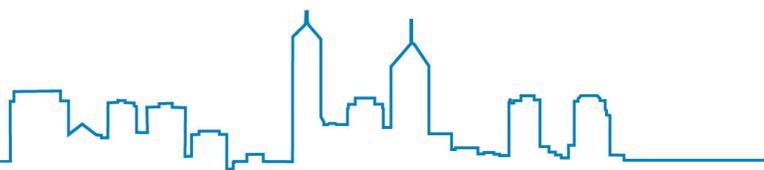
Date: 23 December 2011

CONTENTS

EXECUTIVE SUMMARY	3
1. INTRODUCTION.....	4
2. PROPOSED AMENDMENTS	4
2.1 The Procedure Change Proposal.....	4
3. CONSULTATION.....	5
3.1 Market Advisory Committee or Working Group.....	5
3.2 Submissions received during consultation period and the IMO's response.....	5
4. THE IMO'S ASSESSMENT	7
4.1 Wholesale Market Objectives	7
4.2 Wholesale Market Rules, the Electricity Industry Act and Regulations.....	7
4.3 Implementation of the Market Procedure	8
5. THE AMENDED MARKET PROCEDURE	8
5.1 Commencement	8
5.2 The Amended Market Procedure	8

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



EXECUTIVE SUMMARY

Procedure Change Proposal

To allow the IMO and System Management to progress amendments to the Market Rules and Market Procedures in tandem the IMO proposed an amendment to the Market Procedure for Procedure Administration to:

- remove the express statement in step 2.1.2(b) that amendments to new and existing Market Procedures should be progressed as soon as practicable after the Amending Rules commence; and
- include new step 2.1.5 to clarify that the IMO or System Management may commence the Procedure Change Process at any time considered appropriate. The commencement of new or amended Market Procedures will be conditional on the related Amending Rules commencing.

Consultation

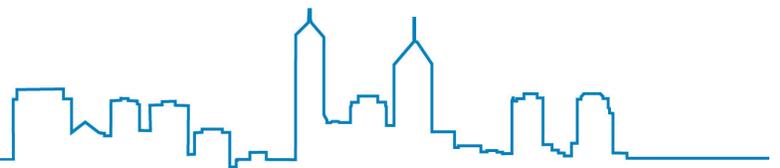
- The proposed amendments were developed by the IMO and provided to System Management for informal comment (given that the amendments would affect System Management). System Management raised no issues.
- Following this the proposed amendments were provided to members of the IMO Procedure Change and Development Working Group for out of session comment on 13 October 2011. The IMO received no comments on the amendments.
- The IMO formally submitted the Procedure Change Proposal and issued a notice calling for submissions on 7 November 2011.
- A submission was received from System Management which supported the concept put forward in the proposal. System Management provided some additional comments around the consultation time required on rule and procedure changes, including the ability to issue extensions to the timeframes associated with the Procedure Change Process.

The IMO's Assessment

The IMO has found the proposed amendments to be consistent with the remaining Wholesale Market Objectives, the Market Rules, the Electricity Industry Act and the Regulations.

Next steps

The amended Market Procedure for Procedure Administration will commence at **8:00am** on **1 January 2012**.

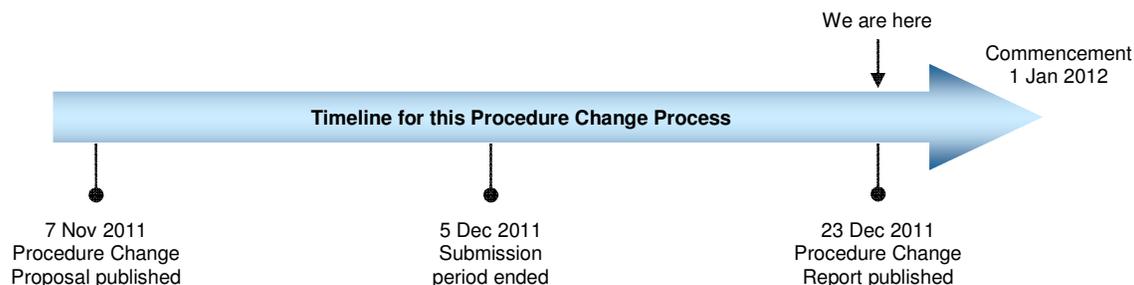


1. INTRODUCTION

On 7 November 2011, the Independent Market Operator (IMO) published a Procedure Change Proposal titled “Change to Market Procedure for Procedure Administration”.

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

Background

The Market Procedure for Procedure Administration details the process by which Market Procedures (including Power System Operation Procedures) are to be developed and amended. In particular it details the processes to be taken by:

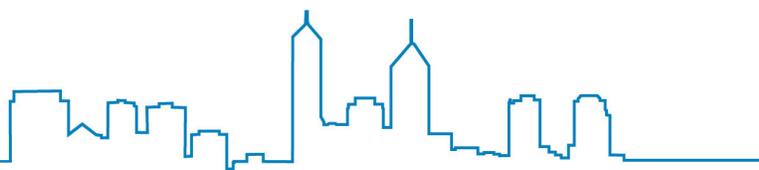
- the IMO in developing and approving Procedure Change Proposals;
- System Management in developing Procedure Change Proposals; and
- Rule Participants where participating in the Procedure Change Process.

Issue

Given the recent shift towards introducing more principles based drafting of the Market Rules as reflected in the Rule Change Proposal: Balancing and Load Following Ancillary Services (RC_2011_10)¹, the IMO notes that the more detailed description of the processes and express steps to be followed by impacted parties will be presented in the Market Procedures (including Power System Operation Procedures).

To ensure transparency to the market of the proposed processes when submitting on Rule Change Proposals the IMO considered it may be necessary at times to progress amendments to the Market Rules and Market Procedures in tandem. Further, it may be necessary for details

¹ For further details refer to the following webpage: www.imowa.com.au/RC_2011_10



outlined in a Market Procedure to commence at the same time as any Amending Rules to ensure the efficient and effective operation of the market.

Proposal

To allow for the IMO and System Management to progress amendments to the Market Rules and Market Procedures in tandem the IMO proposed that the Market Procedure for Procedure Administration should be amended to:

- remove the express statement in step 2.1.2(b) that amendments to new and existing Market Procedures progressed by the IMO or System Management as soon as practicable after the Amending Rules commence; and
- include new step 2.1.5 to clarify that the IMO or System Management may commence the Procedure Change Process at any time considered appropriate, including before the commencement of the Amending Rule or proposed Amending Rule to which the Procedure Change Proposal relates. The commencement of the new or amended Market Procedure will be conditional on the related Amending Rules commencing.

Full details of the Procedure Change Proposal are available at:

www.imowa.com.au/PC_2011_07

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)) and accordingly 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.

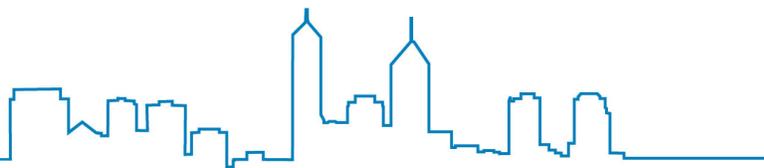
The proposed amended Market Procedure was provided for out of session comment to the IMO Market Procedures Working Group on 13 October 2011. The IMO received no comments on the amendments.

3.2 Submissions received during consultation period and the IMO's response

The public submission period was between 8 November 2011 and 5 December 2011. The IMO received one submission, from System Management, during this period.

In its submission System Management notes that it is of the view that the concept put forward in the proposal is reasonable. However System Management provides a number of additional comments. An overview of these along with the IMO's response is provided in the following table. A full copy of the submission received from System Management is available on the IMO Web Page.

Comment/Change Requested	IMO's response
<p>System Management is concerned that with the changes proposed by PC_2011_07, the rule change and Procedure Change Process could be compromised by an urgency to implement changes not supported by rigorous analysis and without sufficient consideration by the Market and its participants.</p> <p>The amendments proposed by PC_2011_07 carry the risk, where rule and procedure changes are progressed in tandem, of not allowing participant sufficient time to fully consider the impacts of proposals. This would particularly be the case for significant or extensive proposals, if the normal consultation process timelines are applied.</p>	<p>The intention of both PC_2011_07 and RC_2011_12 is to allow sufficient public consultation to be undertaken, via consulting in parallel with Rule Change Proposals (where applicable) and providing an ability to extend the timelines for consultation on Procedure Change Proposals.</p> <p>The IMO considers that there is a much greater risk of this occurring where procedure changes which contain all the detail relating to a process are progressed <u>after</u> a Rule Change Proposal has been progressed and a final decision made. That is, significant issues that need addressing in the Market Rules could be potentially uncovered during the Procedure Change Process which would require a further Rule Change Proposal to address.</p>
<p>System Management's view for rule and procedure change processes that may be progressed in tandem is that there should be extensions to the normal consultation times where this is necessary.</p>	<p>The IMO agrees and notes that to ensure sufficient consultation on rule and procedure change proposals, including where they are progressed in parallel, will be enabled by the amendments resulting from both RC_2011_12 and PC_2011_07. The IMO notes that a final decision on RC_2011_12 is currently subject to Ministerial Approval (due 20 December 2011).</p>
<p>Powers to extend process timelines should be appropriately exercised to ensure that the market, its participants and other relevant stakeholders have sufficient time to consider rule and process change proposals.</p>	<p>Details of the extension must be published and consultation with impacted parties must be undertaken under clause 2.10.19 (refer to RC_2011_12). This will ensure a rigorous decision making process is undertaken when determining whether to extend a Procedure Change Process timeline. The IMO also incorporated further amendments to clause 2.10.17 as part of the Final Rule Change Report for RC_2011_12 to outline situations where an extension may be made.</p>
<p>System Management should have input on process timelines relating to its own Power System Operation Procedures but there remains no express provision for this under the proposed amendments. Notably where System Management may disagree with an IMO decision regarding process timelines for a PSOP change proposal, there is no ability for it to seek a review of this decision by an independent third party.</p> <p>System Management therefore reiterates its previously expressed recommendation that consideration should be given to providing a review mechanism for timeframe extension decisions for Procedure Change Proposals.</p>	<p>The IMO must consult with the impacted parties as part of the extension. Refer to clause 2.10.19(b) of the Final Rule Change Report for RC_2011_12.</p> <p>The IMO considers that providing a mechanism for an external review would not add value in these circumstances, as the underlying reasons for the decision to extend (unusual complexity, requirements for additional consultation) are not matters that can be assessed objectively. The IMO also notes that such a mechanism would need to be included in the Market Rules and therefore is outside the scope of this Procedure Change Proposal. The IMO also notes that the timelines which it would seek to extend are those</p>



	that relate to the exercise of the IMO's own obligations, not System Managements.
For consistency the last sentence "This must be done as soon as practicable" should be deleted from clause 2.1.2(b) and integrated with the final version of the proposed clause 2.1.5 which deals with timeframes	The new provision does not specify a time by which amendments to Market Procedures must be made. The IMO considers that it is useful to clarify in step 2.1.2(b) that amendments to Market Procedures following an amendment to the Market Rules must be done as soon as practical.

4. THE IMO'S ASSESSMENT

Clause 2.9.3(a) of the Market Rules requires that 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 has undertaken an assessment of the proposed amendments in light of the requirements outlined in the Market Rules, including the implementation of any required procedural or system amendments. 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 to incorporate:

- the Amending Rules resulting from the Rule Change Proposal: Extensions to Procedure Change Process Timelines (RC_2011_12); and
- a number of minor and typographical amendments to improve the overall integrity of the Market Procedure.

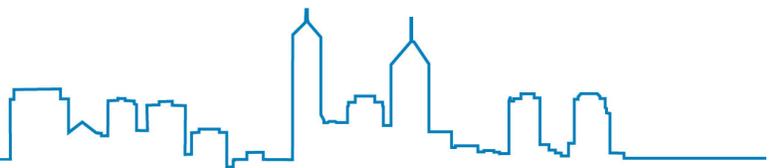
4.2 Wholesale Market Objectives

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 Procedure Administration facilitate the Procedure Change Process described in section 2.10 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. The proposed amendments will improve the integrity of the Procedure Change Process by allowing for greater alignment with the Rule Change Process. This will ensure transparency of related processes to interested parties submitting on principles based proposed Amending 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 21 December 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.

5. THE AMENDED MARKET PROCEDURE

5.1 Commencement

On the basis of the IMO's assessment the amended Market Procedure for Procedure Administration will commence at **8.00 am** on 1 January 2012.

5.2 The Amended Market Procedure

The amended Market Procedure for Procedure Administration is attached to this report and is also available on the IMO's website: www.imowa.com.au/PC_2011_07

