



Agenda Item 5c: System Management Pre Rule Change Discussion Paper- Least Cost Determination of ancillary services' contracts

On 27 November 2008 System Management submitted a pre-rule change discussion paper which recommended that a change regarding the least cost determination of ancillary services' contracts. The paper has not yet been discussed at a MAC meeting.

System Management has requested that this rule change be considered under the Fast Track Rule Change Process, on the basis that the requirements of clause 2.5.9(b) are met:

System Management contends that the change is necessary to correct a manifest error; that is, the inability of System Management to satisfy its "cost minimisation" obligations under clause 3.11.9 when an ancillary service dispatch instruction is remunerated at pay-as-bid (as contrasted to remuneration at MCAP for Verve Energy). The proposed amendments underpin the effective operation of the market, as competitive procurement of ancillary services could not be achieved without the changes.

The IMO is currently assessing this fast track request and will provide a verbal update at the MAC meeting.

Appendix 1: Pre rule change discussion paper

Appendix 2: Background- Ancillary Services Procurement Strategy