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Independent Market Operator

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DEVELOPMENT OF MARKET RULES EVOLUTION PLAN

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Contents

REPORT DETAILS

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DISCLAIMER

1. PURPOSE

The purpose of this paper is to:

- Outline the Market Development Reviews already underway (identified as part of the 2008 – 2011 evolution plan);
- Examine the issues that will influence the evolution of the Wholesale Electricity Market (Market) over the coming three years;
- Outline the areas of the Wholesale Electricity Market Rules (Market Rules) that are candidates for further work (as part of the 2009 – 2012 plan); and
- Outline a prioritisation mechanism for Market Advisory Committee (MAC) members to rank the proposed areas for additional work.

This is to assist the Independent Market Operator (IMO) to set the work priorities for the next phase of Market development.

2. BACKGROUND

The IMO presented the original Market Rules Evolution Plan (2008 – 2011) to the 20 August and 10 September 2008 MAC meetings. The original plan incorporated a list of issues raised by various stakeholders since the commencement of the Market, and outlined 16 Market Development Reviews proposed to address each of these issues (ten major[1] and six minor[2]).

The MAC was requested to consider how the issues outlined in the plan should be prioritised as well as the timing of the various market development reviews proposed to address each issue. The IMO advised that the Plan would be published every six months to incorporate updates to the reviews, changes in priorities and work completed.

An update of the status of the Market Development Reviews, identified in the original plan, is contained in Appendix 1 of this paper. This update notes the reviews currently underway and those not started. For each of the reviews the IMO recommends that the review either:

- Continues;
- Be added to the 2009 – 2012 plan for re-prioritisation (see section 5 of this paper); or
- Be removed from the evolution plan. There are various reasons for this, for example, the review has moved to the rule change stage, another body is undertaking the work anticipated by the review, or the IMO is required to undertake the review as part of its normal obligations under the Market Rules.

[1] Requiring substantial resources and analysis
[2] Requiring limited resources and analysis

To summarise, the IMO's recommendations with respect to the Market Development Reviews identified in the 2008 – 2011 Plan are as follows:

Reviews	Original Plan	Continue	Reprioritise	Remove
Major	10	3	2	5
Minor	6	3	2[3]	2
Total	**16**	**6**	**4**	**7**

3. INTRODUCTION

This paper identifies a number of areas of the Market Rules that are candidates for further work (raised by various stakeholders), and invites MAC members to comment on whether the list accurately reflects the most important market development issues to be dealt with over the next three years.

The second part of the paper discusses criteria that can be used in evaluating the proposed changes, and invites MAC members to indicate the relative priority they attach to each of the issues on the list, using these and other evaluation criteria.

The Market Rules Evolution Plan incorporates a list of issues raised by various stakeholders since the commencement of the Market, and outlines a number of market development reviews proposed to address each of these issues.

The IMO notes that the priorities and timelines, which will be established in consultation with MAC, may change during the three-year period in the circumstances where new high-priority issues are identified and resources have to be diverted to address these issues. The IMO will review and update the Market Rules Evolution Plan six-monthly and present this to MAC for its re-prioritisation of the issues. An updated Market Rules Evolution Plan will be published on the IMO website following each review.

4. SETTING PRIORITIES FOR THE EVOLUTION OF THE MARKET

4.1. Why we have the Market that we have

The market design process was aimed at minimising the risks associated with the reform process by undertaking an evolutionary rather than revolutionary approach to market design. Importantly, it had to be demonstrated that the market model was specific to Western Australia.

In developing the market design, the goal was to facilitate greater competition and private investment by allowing wholesale purchasers of electricity, such as retailers, greater flexibility as to how, and from whom, they procure electricity. The Market was also designed to include a mechanism for ensuring that adequate generation and demand-side management capacity is available to satisfy the growing demand for electricity. In more detail, the main drivers for the market design that was adopted were:

[3] Please note, the Review MAC Constitution and Review Rule Change Process has been split into two reviews. The MAC Constitution review is underway and the IMO recommends the MAC assessing the importance of undertaking a review of the Rule Change Process against the other proposed reviews.

- The South West interconnected system (SWIS) is a small, geographically isolated system which is not interconnected with any other electricity jurisdiction;
- There was a desire to reduce risk and encourage private investment;
- There was a desire to maintain as much as possible, existing Bilateral contracts;
- The initial industry structure was characterised by a small number of market participants, with limited diversity and number of generating plants;
- A number of existing participants were small in size and were expected to be financially vulnerable;
- The significance of the reliability objective to Government;
- As a result of a recognition of current limited competitive tensions; and
- To allow for fairness for all technology and energy options.

A further and key objective during the development and implementation of the market model was to minimise the implementation costs of the wholesale market while maintaining its efficiency and effectiveness.

The resultant, and current, Market model involved a combination of:

- a bilateral contract market;
- a binding day ahead Short Term Energy Market (STEM);
- balancing and ancillary services mechanisms; and
- a Reserve Capacity Mechanism.

Other circumstances taken into account were:

- Perceptions about market power proved to be very important for private investors. The generation business unit Western Power was retained as a single entity rather than being split into a number of generators as in other states. The retail business unit was also be retained as a single entity rather than being disaggregated;
- A vesting contract was established to ensure an orderly opening of the market to competition. The vesting contract was designed as the key market power mitigation tool in the absence of fully developed competition in the market; and
- The Government had committed to maintain uniform tariffs across the State and to ensure price protection for customers.

4.2 The need to set priorities

Since market start the IMO and Market Participants have focussed efforts on refining the Market Rules and ensuring that the rules work as intended, to that end a significant number of rule changes have been proposed, developed and implemented. Since 2008, and the development of the first Market Rules Evolution Plan, the IMO and some Market Participants have started to shift focus onto the future development of the Market.

It is critical for the IMO and Market participants to actively consider how the market should evolve on a continuous basis. Important choices lie ahead. Participants need to understand what the alternatives are and how individual and/or sector interests may be affected.

To that end a number of areas have been identified by various participants, during recent IMO stakeholder visits, which need review (these need to be prioritised to enable the best possible outcomes for the market). This consultation and prioritisation exercise provides an opportunity for all MAC members to share their reasoning and priorities with the IMO and other MAC members.

4.3. Factors affecting Market evolution

The setting of Market evolution priorities will be affected by a number of factors:

- Existing Market Development Reviews underway. The IMO has assumed that all reviews currently underway should progress as planned;
- Participant priorities;
- Resource availability (both Market Participants and the IMO). It is considered that most major reviews will need the input of a Working Group. This generally involves considerable time commitment from all involved; and
- External issues. Although these issues affect the market, the IMO has little direct control over the following:
    - The economic outlook;
    - Fuel access for participants;
    - Convergence of gas and electricity markets;
    - Transmission network access for participants and role of transmission in the market;
    - Climate change policy developments;
    - Metering changes (power station revenue meters, wholesale off-take meters, smart meters at retail level);
    - Retail tariff restructuring;
    - Full retail contestability;
    - Industry structure issues; and
    - A Single National Market

The IMO will monitor events and provide input to the appropriate processes.

5. ISSUES

Based on the recent round of stakeholder discussions and various stakeholder forums, the IMO has identified a number of issues that need to be examined and prioritised. The purpose of this section is to provide a brief outline of each issue. The IMO has not noted any potential solutions to any of these issues, once prioritised the issues, and potential solutions, will be developed. The issues (in no particular order) are as follows:

1. Improved Balancing Mechanism;
2. Introducing Markets in Ancillary Services;
3. Review of Reserve Capacity Mechanism:
    a. Expressions of Interest process
    b. Maximum Reserve Capacity Price (MRCP) and Weighted Average Cost of Capital (WACC);
    c. Secondary Market for Capacity Credits/Obligations;
    d. Shorten lead time for entry into mechanism; and
    e. Capacity Cost Refund mechanism.
4. Closer alignment of gas and electricity nominations;
5. Intermittent Loads;
6. Market Rule Change Process;
7. Energy Price Limits;
8. STEM:
    a. Trade volume, price relevance and STEM predictability;
    b. Moving closer to real time or multiple gate closures; and
    c. Transparency of STEM offers;
    d. Preliminary calculation of Marginal Cost Administered Price (MCAP) (closer to real time);
9. Treatment of new small generators;
10. Calculation of loss factors;
11. Settlement simplification;
12. Forced outage conversion; and
13. Ability to use a Resource Plan as a portfolio.

The list is intended to capture the main issues that need to be addressed over the next several years.

5.1 Improved Balancing Mechanism

Market Participants (other than Verve) with registered generators or dispatchable loads are required to provide Resource Plans to the IMO that cover their net bilateral contract position. These Resource Plans include the output of each generator and dispatchable load in each Trading Interval and the Market Participant's own load to be supplied from those facilities such that the net energy supplied matches the net contract position. Market Participants submitting Resource Plans must also specify pay-as-bid balancing prices to be used as the basis for compensation if required by System Management to deviate from their Resource Plans.

In the hours leading up to real-time, System Management will schedule Verve resources around the Resource Plans and, if necessary, issue instructions to other Market Participants so as to enable supply to match demand in real time. For example, System Management may issue dispatch instructions to other Market Generators and to curtailable or dispatchable loads if it cannot otherwise maintain security and reliability, or if it would have to use Verve liquid

fuelled plant when non-liquid fuel capacity was still available. System Management uses these resources to "balance" the system.

Additionally, the current market design does not provide mechanisms to handle unexpected events between the clearing of the STEM and real time and this appears to create a number of issues, which impact on both Verve Energy and other market participants:

- Under the current day ahead mechanism, balancing prices do not always reflect the final dispatch and this impacts on the balancing generator – Verve Energy during the one day lag.

- In addition, IPPs do not have the flexibility to move generation between their own units or purchase from another generator within the dispatch day without incurring unfavourable deviation prices in balancing.

- There also appears to be a desire to allow IPPs to contribute towards balancing more effectively where this makes sense economically.

Market Participants have indicated that the Balancing Mechanism should be reviewed.

5.2 Introducing Markets in Ancillary Services

Ancillary Services are services required to support the WEM but which are not traded as part of the WEM. System Management are required to procure adequate quantities of these services, either from Electricity Generation Corporation (Verve) resources (the default option) or on a contestable basis from independent providers (if they provide a least cost option to Verve's facilities).

Market Participants have indicated that the provision of ancillary services should be opened up to competition for spinning reserve, frequency control and black start.

5.3 Review of Reserve Capacity Mechanism

A significant feature of the market design is the central role of the IMO to ensure adequate generation capacity on the SWIS. To achieve this, the IMO operates a Reserve Capacity Mechanism, which requires that retailers either secure adequate capacity bilaterally or purchase it from the IMO, so as to ensure that the SWIS generation capacity requirements are met. Generators and Demand Side Programmes receive Capacity Credits for the capacity they provide.

Participants have raised a number of areas of the Reserve capacity Mechanism that could benefit from further analysis. These are:

- Expressions of Interest process;

- MRCP and WACC process;

- Secondary Market for Capacity Credits/Obligations;

- Shorten lead time for entry into mechanism; and

- Capacity Cost Refund mechanism.

Additional information on each of these issues is outlined below.

5.3.1 Expression of interest process

In January each year, the IMO invites expressions of interest (EOI) from persons who may wish to provide new capacity. This is a non-binding process that provides important planning information to the IMO and other stakeholders. The value of the EOI process has been questioned by a number of Market Participants.

5.3.2 MRCP and WACC process

A number of Market Participants and financiers have raised concerns with MRCP and WACC calculations. In particular:

- Process - Should Market Participants have a greater period of time to discuss such material changes, particularly where the official draft report was so different? Should, when a draft number is modified to final, there be a separate consultation process?

- Market confidence - Should changes be modified or averaged over a longer period of time?

5.3.3 Secondary Market for Capacity Credits/Obligations

The Market Rules currently allow bilateral trade of Capacity Credits between a generator and retailer, which is notified to the IMO. There is no provision in the Market Rules for the retailer to transfer the Capacity Credits to another retailer without going back through the generator. It has been suggested that the IMO examine changes to facilitate the transfer of capacity credits/obligations in secondary markets.

5.3.4 Shorten lead time for entry into mechanism

It has been noted that the two year lead time for certification to be a significant impediment for generation with shorter lead times, especially smaller generation and Demand Side Management (DSM).

Shorter lead times for capacity certification would facilitate smaller generation and DSM more readily. In respect of DSM, a shorter lead time may mean that DSM could be made available spontaneously.

5.3.5 Capacity Cost Refund mechanism

In its final rule change report, RC_2007_08: Calculation of Reserve Capacity Refund the IMO noted that the Reserve capacity Refund Mechanism Working Group considered three refund options:

- To rework the existing Market Rules to attempt to correct the current difficulties;

- Adopt a different concept with refunds being made proportional to the amount of demand on the system, or proportional to the amount of reserve generation capacity, at the time of the outage; and

- An alternative concept in which refunds incurred by a facility would accrue at a rate which increases as the number of outages increases.

It was considered that the first of these, to rework the existing rules, should be initially progressed as it should result in the minimum change to the rules. This was considered

important in view of the significant amounts of money that may be associated with refunds and the desire to maintain stable market arrangements to encourage investors. The potential to move to the second option in the longer term was acknowledged by the MAC. It was also noted that the IMO intended to review with mechanism after 2010[4].

The Refund Table has been amended a number of times since this Rule Change and numerous participants have been urging the IMO to undertake this review.

5.4 Closer alignment of gas and electricity nominations

The Market was designed on the premise that Market Participants wanted to be aware of their electricity positions prior to making their gas nominations. Recently a number of Market Participants have indicated a preference for closer alignment of these windows, some noting a firm preference for gas nominations to come first (due to fuel availability concerns).

5.5 Intermittent Loads

A number of issues have been identified with respect to the provisions of the Market Rules related to Intermittent Load refunds. This was identified in the original Market Rules Evolution Plan. This noted that the Market Rules relating to the Intermittent Load maximum nominated Reserve Capacity Requirements be reviewed to ensure that the Rules cannot be misconstrued as allowing participants to completely avoid IRCR charges for Intermittent Loads by setting the requirements to either 0 or a number lower than the actual requirement of the loads in the event of a generator failure.

5.6 Market Rule Change Process

Under the current Market Rules, a standard rule change process takes a considerable time to complete. A number of Market Participants have commented on this process in various forums over the years.

While it is appropriate that the rule change process proceeds in an efficient and timely manner, it should also provide sufficient time for consultation and analysis. Further, some rule changes would be more complex others would be simpler and a single timeline may not always deliver efficient outcomes.

The IMO considers that the efficiency of the Market Rule Change processes should be examined in light of best regulatory practice with the objective to streamline the existing prescribed timelines. Any changes to the processes and timelines should provide sufficient flexibility to allow the IMO Board to consider proposed Rule Changes in Session.

5.7 Energy Price Limits

The STEM and the balancing mechanism have two price caps, the maximum STEM price for non-liquid fuelled facilities, and the alternative maximum STEM price for liquid fuelled facilities. Several Market Participants have raised the issue of whether the two energy price caps are needed, or if the lower one could be removed.

5.8 STEM

Participants can purchase energy from the IMO or sell energy to the IMO on the day before that energy will be delivered. The STEM is used to correct a participants contracted position.

[4] MAC minutes 9 May 2007.

The STEM provides a day-ahead market whereby market participants can adjust their bilateral energy contract position. Both generators and retailers can participate and each can buy additional energy from the IMO or sell surplus energy to the IMO.

Participants in the STEM will submit prices in the morning of each day. Each day the IMO will run a STEM auction and determine a single STEM price for each half hour of the next day. The IMO will buy the same quantity as it sells, so will take a neutral position in the market.

Participants have raised a number of areas of the STEM that could benefit from further analysis. These issues are outlined below.

5.8.1 Trade volume, price relevance and predictability

Comments have been made that there is low trade volume in the STEM, and consequently questions were raised about the relevance of the STEM prices. A number of Market Participants have questioned how the STEM can become more predictable, stable and used more.

5.8.2 Moving closer to real time or multiple gate closures

It has been raised in many forums that the STEM could move closer to real time or for the STEM to have multiple gate closures. This would allow more dispatch reflective prices since the STEM submissions would incorporate the most up-to-date information on outages and fuels. The shorter the interval in advance of real-time that this is done the more the final MCAP price will reflect the actual dispatch. It would also allow Independent Power Producers (IPPs) to adjust their positions at a later time interval if they required this. This could reduce the residual amount of balancing required by Verve Energy, since the day-ahead view of participants may deviate more from their actual generation/consumption than their view closer to real-time.

5.8.3 Transparency of STEM offers

The aggregated nature of the STEM offers, which are currently portfolio based, makes the monitoring of whether offers reflect reasonable expectation of SRMC difficult. The IMO considers that it could examine options to increase the transparency of Market Generator offers and the efficiency of SRMC monitoring.

5.8.4 Preliminary calculation of MCAP (closer to real time)

Balancing refers to the settlement process to address the cost of the difference between the net contract position of Market Participants and their actual supply and consumption levels, allowing for dispatch instructions issued by System Management.

Deviations from Net Contract Position (bilateral position minus the amount of energy purchased in STEM plus the amount of energy sold through the STEM) will be settled at Balancing Prices. There are three balancing prices determined by the IMO:

- the Marginal Cost Administrative Price (MCAP);
- the Upward Deviation Administrative Price (UDAP); and
- the Downward Deviation Administrative Price (DDAP).

MCAP applies to the difference between metered quantities and net contract position for Market Customers, the Balancing Generator and Non-Scheduled Generators. This is modified

when Market Participants deviate i.e. UDAP and DDAP are applied to deviations from dispatch schedules (being resource plans as modified by dispatch instructions).

Participants have noted that a preliminary or real time calculation of MCAP could be an enabler to driving real time behaviour.

5.9 Treatment of new small generators

Section 4.28B of the Market Rules outlines the Reserve capacity rules for the treatment of new small generators. The section is applicable to Registered Facilities to which the following conditions apply:

- the Facility is a Non-Scheduled Generator and has commenced operation; and
- the Facility has a nameplate capacity not exceeding 1 MW.

It ahs been suggested that the threshold for this section be increased from the 1MW nameplate capacity.

5.10 Calculation of loss factors

By June each year each Network Operator must calculate and provide to the IMO Loss Factors for each connection point in their Network. It has been noted that this is an often time consuming and expensive process to undertake. It has been suggested that this process could be streamlined to make it more efficient while not losing the integrity of the process.

5.11 Settlement simplification

A number of participants have commented that the complexity in the Market Rules around market settlements may benefit from simplification.

5.12 Forced outage conversion

At present the Market Rules provide guidelines to System Management about what must be considered prior to approving an Outage Plan or an individual request for a Planned Outage. While these guidelines are extensive, they are still open to subjective interpretation and are intended to be applied so as to prevent any threat to Power System Security or Power System Reliability.

During 2008 a Rule Change Proposal was circulated for consideration by MAC. This proposal was drafted to amend the rules to provide that an outage (which would otherwise constitute a forced outage) can be deemed by System Management to be a Scheduled Outage if that outage occurs between 1 April and 30 November. At the time MAC members were not in full agreement over the merits of this proposal. Members raised concerns that removing refunds for forced outages, by converting these to planned outages ex-post, will increase the overall Reserve Capacity cost for loads.

A number of Market Participants have requested that the conversion of Forced Outages to Planned Outages issue be reconsidered.

5.13 Ability to use Resource Plan as a portfolio

Market Participants (other that the Electricity Generation Corporation) with registered generators or dispatchable loads are required to provide Resource Plans to the IMO that cover their net contract position. These schedules include the output of each generator and

dispatchable load in each Trading Interval and the Market Participant's own load to be supplied from those facilities such that the net energy supplied matches the net contract position.

System Management will schedule Electricity Generation Corporation resources around those schedules, but it may issue dispatch instructions to other Market Generators and to curtailable or dispatchable loads if it cannot otherwise maintain security and reliability, or if it would have to use Electricity Generation Corporation liquid fuelled plant when non-liquid fuel capacity was still available.

It has been suggested that there may be value in the ability of Market Generators to use Resource Plans as a portfolio, whereby facilities could swap or replace MW where this does not cause a Power System Security and/or Power System Reliability issue.

6. CRITERIA FOR RANKING THE ISSUES

Identifying the set of key market evolution issues that need to be addressed is only the first step in a priority setting exercise. The second, and more difficult step, is to assign relative priorities to each of the issues within the set. Relative priorities are essential to support resource allocation decisions. A ranking exercise normally begins with a discussion of the criteria to be used.

The IMO proposes the following seven guiding principles for evolution (notwithstanding that any change to the Market Rules must be consistent with the Wholesale Market Objectives):

- **Efficient**: Would a proposed market rule or new market evolution feature increase economic efficiency? The term 'economic efficiency' is used broadly to mean both static efficiency (are resources allocated such that they achieve maximum output at a point in time?) and dynamic efficiency (are resources allocated such that they achieve system growth at least cost over time?). The application of the efficiency criterion can often be challenging, especially in the context of structural decisions. In layman's terms, however, the sense of the criterion is clear, economic efficiency increases when there is an increase in benefits to society and market participants, relative to the costs.

- **Fair:** Would a proposed market rule or new market evolution feature enhance the overall fairness of the market? Fairness involves the equal treatment of all market participants, regardless of their size, sector, ownership, and in particular, means equality of access to the market and the IMO's services.

- **Reliable and safe**: Changes must not negatively impact the reliability or safety of the market.

- **Transparent:** Changes must be public and easy to understand.

- **Robust:** Changes must be such that they add to the stability and coherence of the basic market design. A minor change might, on its own, add to efficiency or fairness, and seem to be practical, but nevertheless be based on 'foreign' philosophic principles or assumptions. The concern is that such a change could lead to difficulties at a later date, as the extent of the inconsistency becomes more apparent.

- **Enforceable**: Changes must be enforceable.

- **Practical:** The message reinforced by this criterion is that the Market should develop based on the needs of real world participants buying and selling electricity and related

products and services, as opposed to some theoretical blue-print of what markets ought to look like. Clearly, there is a balance to be achieved between 'practicality' and 'robustness', as defined above.

The seven criteria listed above focus on the principles of market evolution and describe the qualities of a good design, or of a proposed change in the rules. The IMO considers that each of these should be given an equal weighting. The criteria above are listed as an aid to Market Participants as they consider the issues and try to assign relative priorities to them.

7. PROCESS FROM HERE

The ultimate challenge in developing a vision and work-plan for market evolution will be to achieve consistency between where MAC members collectively want to go, in terms of the big picture, and where the MAC collectively want to go in terms of specific market evolution features.

In order to facilitate this, the MAC will discuss this document at its meeting on 10 June 2009. The discussion will be structured around the content in this paper.

In order to prepare to participate actively in the discussions, it is suggested that MAC members attempt to 'score' the issues by allocating their points (from 1 – 13, with 1 being allocated to the participants highest relative priority) across the issues identified in the first part of the paper. In working out the relative priorities, participants should think about the market design criteria outlined above, and the implications of each decision for their own business or activity.

A sample 'ballot' for this purpose is included in appendix 2 of this paper.

After the MAC meeting the IMO will issue a final ballot form for population. The IMO will use the results of the ballot as a key input into its short to medium term planning for the evolution of the Market and for setting its work priorities over the coming months.

The IMO will present the MAC with the results of the ballot at its July 2009 meeting. This paper will include a resource allocation against each review planned.

8. RECOMMENDATIONS

The IMO recommends that the MAC:

1. **Discuss** the progress against the Market Development Reviews already underway (identified as part of the 2008 – 2011 evolution plan);

2. **Discuss and confirm** the IMO's recommendations regarding these Market Development Reviews (appendix 1);

3. **Confirm** whether the IMO's list of issues to be addressed is complete (section 5);

4. **Identify** any further issues that the IMO should address as part of this review (section 5);

5. **Discuss** the criteria for ranking the proposed areas for additional work (section 6); and

6. **Note** the process from here (section 7).

Appendix 1: Status of the Market Development Reviews (2008 – 2011 Plan)

Market Development Reviews (2008 - 2011)		Class	Current status	IMO recommendation
1.	Review Supplementary Capacity Provisions of the Market Rules (MR 4.24 and 4.28)	Major	Nearing completion.	Continue with review. Then assess the next steps required.
2.	Carry out a study on the Ancillary Service Standards and the basis for setting Ancillary Service Requirements as well as review the competitive provision of Ancillary Services (MR 3.9 to 3.15).	Major	Underway. Due to be complete September 2009.	Continue with review.
3.	Review provisions related to Intermittent Loads (MR 4.28, 4.28A, 4.28B & 4.29)	Minor	Not started.	MAC to assess whether this is still an issue and re-prioritise if necessary. Added to section 5 of this paper.
4.	Review the Prudential Requirements and Default Provisions of the Market Rules (MR 2.37 & 2.43, and MR 9.23 & 9.34).	Minor	Underway. Review planned for the remainder of the 2009 calendar year.	Continue with review.
5.	Develop a long term market roadmap.	Major	Not started.	Remove from the Evolution Plan as this is an Office of Energy initiative. The Roadmap and Evolution Plan are different documents.
6.	Review the Allowable Revenue and Budget determination processes for System Management (MR 2.22 and 2.23).	Minor	PRC_2009_23	Remove from evolution plan as this has progressed to the Rule Change Proposal status.
7.	Review Reserve Capacity applications timeframes and measures to improve the reliability of new plant (MR 4.1)	Major	Review complete. At rule change stage. RC_2009_10 & RC_2009_11	Remove from evolution plan as this has progressed to the Rule Change Proposal status.
8.	Investigate interim steps to improve the Balancing Mechanism (Chapter 6).	Major	Initial work. Jim Truesdale report.	Continue with review currently underway.
9.	Examine the impact of policy developments in regard to emissions trading, greenhouse gas abatements, and renewable energy targets on the Market Rules and the Market in general.	Major	Not started.	Remove from the evolution plan as this is covered by the AEMC work already underway.

Market Development Reviews (2008 - 2011)		Class	Current status	IMO recommendation
10.	Examine options to increase the transparency of Market Generator offers and the efficiency of SRMC monitoring (MR 2.16.9).	Minor	Not started.	MAC to assess whether this is still an issue and re-prioritise if necessary. Added to section 5 of this paper.
11.	Review the effectiveness/efficiency of the Market Rule Change processes and the operation/composition of the MAC (Market Rules 2.4 to 2.11).	Minor	MAC review started. Rule Change Process assessment not started.	Split this into two issues. Continue with the MAC constitution review. MAC to assess whether the Market Rule Change process is still an issue and re-prioritise if necessary. Added to section 5 of this paper.
12.	Consider/design/implement replacement of the current balancing mechanism with a pre-dispatch process and spot market over the longer term. (Chapter 6)	Major	Not started.	Dependent on the outcome of Market Development review 8. Take off the evolution plan pending the outcome.
13.	Review of the outage planning process against the Wholesale Market Objectives (MR 3.16 to 3.21).	Major	Not started.	Remove from the evolution plan as this is something that the IMO is required to do once in every 5 year period from Market Start.
14.	Examine changes to facilitate the transfer of capacity credits/obligations in secondary markets (MR 9.4).	Major	Not started.	MAC to assess whether this is still an issue and re-prioritise if necessary.
15.	Review the appropriateness of the Energy Price Limits (MR 6.20).	Major	Not started.	MAC to assess whether this is still an issue and re-prioritise if necessary.
16.	Review the overlap/interactions between the Market Rules and the WEM Regulations and “clean up” the Rules	Minor	Underway.	Remove from evolution plan as this has progressed to the Rule Change development stage.

Appendix 2: Sample Ballot Form

Participant (company):	
Participant class:	
Represented by (name):	
Contact details (for follow up):	

Please assign relative priorities (1 – 13, with 1 being the highest) across the issues identified below, indicating the strength of your views about where market evolution work and resources should be focussed over the next two to three years.

Issue area		**Priority (1 – 13)**	**Comments**
1.	Improved balancing mechanism		
2.	Introducing Markets in Ancillary Services		
3.	Review of Reserve Capacity Mechanism		
4.	Closer alignment of gas and electricity nominations		
5.	Intermittent Loads		
6.	Market Rule Change Process		
7.	Energy Price Limits		
8.	STEM		
9.	Treatment of new small generators		
10.	Calculation of loss factors		
11.	Settlement simplification		
12.	Forced outage conversion		
13.	Ability to use Resource Plan as a portfolio		
Other?			

Note: Ballots are not in anyway binding on the submitter of the IMO.

MAC members are encouraged to submit detailed comments to the IMO, preferably by email addressed to: marketadmin@imowa.com.au by [DATE TBA].