



Independent Market Operator

**Final Market Rule Change
Report**

**Title: Definition of a Power
System Operation
Procedure**

Ref: RC_2009_12

Date: 16 April 2009

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Independent Market Operator

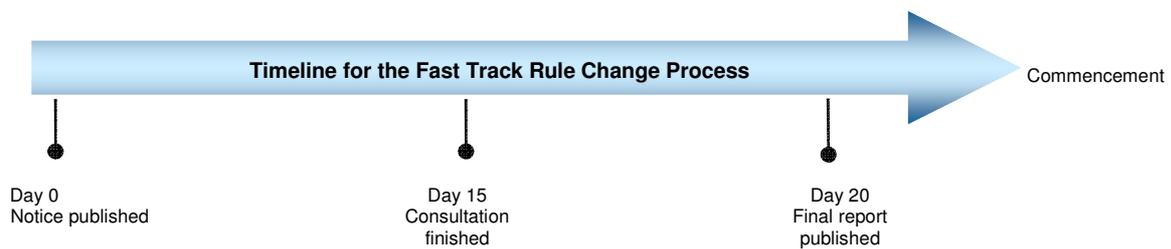
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1. INTRODUCTION

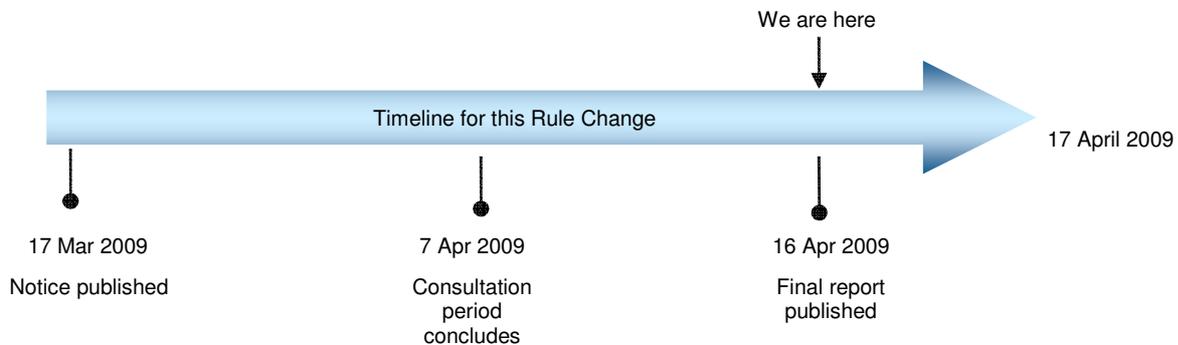
On 13 March 2009 the Independent Market Operator (IMO) submitted a Rule Change Proposal regarding changes to the Glossary (Chapter 11) of the Wholesale Electricity Market Rules (Market Rules).

This Proposal was processed using the Fast Track Rule Change Process, described in section 2.6 of the Market Rules.

The fast track process adheres to the following timelines:



The key dates in processing this Rule Change Proposal are:



Based on the IMO's assessment of the Rule Change Proposal against the Wholesale Market Objectives, the practicality and cost of implementing the proposal, the Market Advisory Committee's (MAC) recommendations, and the outcomes of the public consultation period, the IMO's final decision is to implement the Rule Change Proposal in the form outlined in section 6.2 of this Report.

The amendments to the Market Rules made as a result of this Rule Change Proposal will commence at 08.00am on 17 April 2009.

2. THE RULE CHANGE PROPOSAL

2.1 Submission Details

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Address:	Level 3, Governor Stirling Tower, 197 St George's Terrace
Date submitted:	13 March 2009
Urgency:	Low
Change Proposal title:	Definition of a Power System Operation Procedure
Market Rule(s) affected:	Glossary: "Market Procedure" and "Power System Operation Procedure"

2.2 Details of the Proposal

The Glossary currently provides a definition of a Power System Operation Procedure (PSOP) as being the "Market Procedure developed by System Management pursuant to clause 3.2.7". Clause 3.2.7 of the Wholesale Electricity Market Rules (Market Rules) requires System Management to develop PSOP's for the process(s) to be followed:

- In maintaining Equipment Limit information;
- In determining Security Limits and maintaining Security Limit information;
- In establishing and maintaining the Technical Envelope; and
- To enable System Management to operate the SWIS according to the Technical Envelope applicable to each SWIS Operating State.

However, there are a number of other instances where the Market Rules require System Management to develop a PSOP, such as (for example):

- Clause 2.35.4: System Management must document the communications and control system requirements necessary to support the dispatch process in the PSOP;
- Clause 3.11.14: System Management must document in the PSOP the procedure to be followed when determining Ancillary Service Requirements, entering into Ancillary Service Contracts, including the process for conducting competitive tender processes utilised for the awarding of Ancillary Service Contracts; and preparing budget proposals for providing Ancillary Services; and

- Clause 3.16.10: System Management must document the procedure it follows in conducting Medium Term PASA studies in the PSOP.

Given that clause 3.2.7 is not the only place in the Market Rules where the development of a PSOP is required, the IMO proposes that the definition of a Market Procedure should be amended to include a reference to all the PSOP's developed by System Management. The IMO proposes to do this by replacing the current definition of a PSOP with a reference to the definition of a Market Procedure.

2.3 The Proposal and the Wholesale Market Objectives

In its initial Rule Change Proposal the IMO considered that the proposed changes, which amend a current inaccuracy in the definition of a PSOP, are consistent with the market objectives and are necessary to maintain the integrity of the Market Rules.

2.4 The Amending Rules Proposed by the IMO

The amendments to the Market Rules originally proposed by the IMO are provided in section 6.2 of this final report.

2.5 The IMO's Initial Assessment of the Proposal

The IMO decided to proceed with this proposal on the basis that the IMO's preliminary assessment indicated that the proposal is consistent with the Wholesale Market Objectives.

The IMO decided to process this Rule Change Proposal using the Fast Track Rule Change Process, described in section 2.6 of the Market Rules, on the basis that it satisfies the criteria in sections 2.5.9(a) and 2.5.9(b) of the Market Rules. All amendments included in this proposal are of a minor nature and are required to correct a current manifest error in the definition of a Power System Operating Procedure. At its meeting on 11 March 2009, the MAC agreed with the IMO's assessment, and endorsed the fast tracking of this proposal.

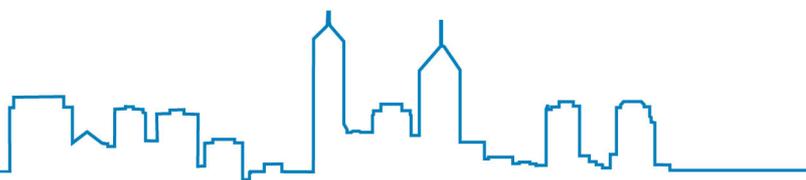
Section 2.5.9 states:

The IMO may subject a Rule Change Proposal to the Fast Track Rule Change Process if, in its opinion, the Rule Change Proposal:

(a) is of a minor or procedural nature; or

(b) is required to correct a manifest error; or

(c) is urgently required and is essential for the safe, effective and reliable operation of the market or the SWIS



3. CONSULTATION

An invitation for all Rule Participants to contact the IMO, should they wish to be consulted on this Rule Change, was published on the IMO website on 17 March 2009, together with the Rule Change Notice.

The consultation period for this Rule Change Proposal was between 18 March 2009 and 7 April 2009 (interested stakeholders were requested to inform the IMO if they wished to be consulted on this Rule change Proposal by 24 March 2009).

The IMO did not receive any requests to be consulted on this Rule Change Proposal during this time. The IMO did however receive a submission from Landfill Gas and Power (LGP) before the end date of the consultation period. The details of the submission received from LGP is summarised below.

3.1 Submission from Landfill Gas and Power

LGP supported the rule change and its fast tracking on the grounds that it is of a minor and procedural nature.

4. THE IMO'S ASSESSMENT

In preparing this Final Rule Change Report, the IMO must assess the Rule Change Proposal in light of clauses 2.4.2 and 2.4.3 of the Market Rules.

Market Rule 2.4.2 outlines that the IMO “must not make Amending Rules unless it is satisfied that the Market Rules, as proposed to be amended or replaced, are consistent with the Wholesale Market Objectives”.

Additionally, clause 2.4.3 states, when deciding whether to make Amending Rules, the IMO must have regard to the following:

- Any applicable policy direction from the Minister regarding the development of the market;
- The practicality and cost of implementing the proposal;
- The views expressed in submissions and by the MAC; and
- Any technical studies that the IMO considers necessary to assist in assessing the Rule Change Proposal.

The IMO notes that there has not been any applicable policy direction from the Minister in respect of this Rule Change Proposal.

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

4.1 Wholesale Market Objectives

In accordance with Clause 2.4.2 of the Market Rules, in deciding whether or not to make Amending Rules, the IMO must not make Amending Rules unless it is satisfied that the Market Rules, as proposed to be amended or replaced, are consistent with the Wholesale Market Objectives.

The IMO considers that the Market Rules 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 Practicality and cost of implementation

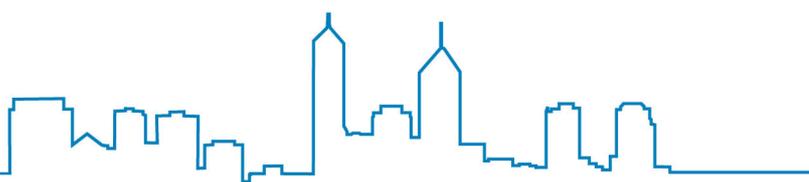
In accordance with Clause 2.4.3(b) of the Market Rules, in deciding whether or not to make Amending Rules, the IMO must also have regard to the practicality and cost of implementing the Amending Rules.

The proposed changes do not require any change to the Wholesale Electricity Market Systems operated by the IMO or any of the systems operated by System Management.

There have been no additional costs identified with the implementation of this Rule Change Proposal.

4.3 Views expressed from submissions

In accordance with Clause 2.4.3(c) of the Market Rules, in deciding whether or not to make Amending Rules, the IMO must have regard to the views expressed in submissions on the Rule Change Proposal.



The IMO did not receive any formal requests for consultation, although the IMO did receive one submission. This submission was in favour of the Rule Change Proposal.

4.4 Views expressed by Market Advisory Committee

In accordance with Clause 2.4.3(d) of the Market Rules, in deciding whether or not to make Amending Rules, the IMO must have regard to the views expressed by the MAC, where the MAC met to consider the Rule Change Proposal.

The MAC was advised of the proposed Rule Change at its meeting on 11 March 2009. At the meeting, the MAC was in unanimous support of the proposal.

5. THE IMO'S FINAL DECISION

The IMO's final decision is to implement the amendments to the Glossary of the Market Rules.

5.1 Reasons for the decision

The IMO has made its decision on the basis that the Amending Rules:

- Are consistent with the operation of the Wholesale Market Objectives;
- Have the support of the MAC; and
- Can be easily implemented at no additional cost to the market; and
- Assist in maintaining the integrity of the Market Rules.

Additional detail outlining the analysis behind the IMO's reasons is outlined in section 4 of this Final Rule Change Report.

6. AMENDING RULES

6.1 Commencement

The amendments to the Market Rules resulting from this Rule Change Proposal will commence at **8:00am** on **17 April 2009**.

6.2 Amending Rules

The following clauses are amended (~~deleted wording~~, new wording):

Chapter 11 Glossary

Market Procedure: The procedures developed by IMO and System Management in accordance with clause 2.9, (including the Power System Operation Procedures developed by System Management) as amended in accordance with the Procedure Change Process.

Power System Operation Procedure: ~~The Market Procedure developed by System Management pursuant to clause 3.2.7.~~ See Market Procedure.

7. GENERAL INFORMATION ABOUT RULE CHANGE PROPOSALS

Clause 2.5.1 of the Wholesale Electricity Market Rules (Market Rules) provides that any person (including the Independent Market Operator) may make a Rule Change Proposal by completing a Rule Change Proposal Form and submitting this to the Independent Market Operator (IMO).

In order for the proposal to be progressed, the change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the Wholesale Market Objectives. The market objectives are:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors
- (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
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used

A Rule Change Proposal can be processed using a Standard Rule Change Process or a Fast Track Rule Change Process. The standard process involves a combined 10 weeks public submission period. Under the shorter fast track process the IMO consults with Rule Participants who either advise the IMO that they wish to be consulted or the IMO considers have an interest in the change.