

## Agenda Item 10: Future procurement of spinning reserve and load following

### 1. BACKGROUND

A paper from System Management on the future procurement of Spinning reserve and Load Following is attached as appendix 1.

This paper notes that System Management's intention is to transition to full provision of the Ancillary Services requirement by contract, either on a forward fixed-price or daily bid arrangement.

System management notes that the options System Management it is considering should work with any balancing regime and that Market Participants have indicated that there is impetus to resolve these issues now, prior to the implementation of a new balancing regime.

### 2. INTER-RELATED WORK STREAMS

There are a number of streams of work recently completed or underway regarding the provision, procurement and pricing of Ancillary Services. Each of these is outlined below.

**Ancillary Service Standards and Requirements study (2009):** During 2009 the IMO engaged Sinclair Knight Merz (SKM) to undertake a study on setting Ancillary Service Standards and Requirements. This study analysed the treatment of Ancillary Services in the WEM, investigated the ability of the South West interconnected system to respond within the frequency parameters set out in the Technical Rules; and modelled an optimised dispatch market for the SWIS to quantify possible improvements in the economic outcomes of the WEM.

**REGWG:** The work of the REGWG is focusing on a number of priority issues related to intermittent energy generation including the impact on demand for Ancillary Services and costs associated with the provision of Ancillary Services.

**Market Rules Design Team (MRDT):** Tasked with reviewing, among other things, participation in balancing and ancillary services to the extent feasible under the rules including Broadening the opportunity for provision of ancillary services and amending the rules that allocate costs amongst participants, for example for ancillary service and the balancing mechanism.

**AEMC Climate Change Report:** Noted a need to ensure that parties creating the need for Ancillary Services be required to pay for the cost of those services, this particularly applies to wind generators.

**Economic Regulation Authority 2009 report to the Minister for Energy:** Noted that changes to the treatment of intermittent generation in the Market Rules could include a cost recovery regime or a requirement on operators of intermittent plant to procure additional Load Following services. The ERA considers enhanced efficiency will be realised if Ancillary Services were procured from a wider field of providers.

## 2. RECOMMENDATIONS

The IMO recommends that the MAC:

- **Note and Discuss** the report submitted by System Management; and
- **Discuss** the inter-related work streams with regard to the procurement and provision of Ancillary Services.