

Independent Market Operator

IMO PROCEDURE CHANGE AND DEVELOPMENT GROUP

Agenda

Meeting No.	8
Location:	IMO Board Room, Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date:	Wednesday 2 February 2011
Time:	Commencing at 9.00 to 11:00am

Item	Subject	Responsible	Time
1.	WELCOME AND APOLOGIES / ATTENDANCE	Chair	5 min
2.	MINUTES OF PREVIOUS MEETING (ratified out of session¹)	Chair	5 min
3.	ACTIONS ARISING	Chair	5 min
4.	MARKET PROCEDURE FOR DATA AND IT INTERFACE REQUIREMENTS	IMO	10 min
5.	MARKET PROCEDURE FOR PRUDENTIAL REQUIREMENTS	IMO	20 min
6.	MARKET PROCEDURE FOR UNDERTAKING THE LT PASA AND CONDUCTING A REVIEW OF THE PLANNING CRITERION AND FORECASTING PROCESSES	IMO	20 min
7.	MARKET PROCEDURE FOR PROCUREMENT OF NETWORK CONTROL SERVICES	IMO	5 min
8.	GENERAL BUSINESS	IMO	10 min
9.	NEXT MEETING: <ul style="list-style-type: none">Proposed date: 23 March 2011, 3.00 – 5.00pm	Chair	2 min

¹ The minutes from the previous meeting were ratified out of session; therefore, they have been included in this set of papers for reference only.

Independent Market Operator

IMO PROCEDURE CHANGE AND DEVELOPMENT GROUP

Minutes

Meeting No.	7
Location:	IMO Board Room Level 3, Governor Stirling Building, 197 St Georges Terrace, Perth
Date:	Tuesday 26 October 2010
Time:	Commencing at 3:00 to 3:50pm

Attendees		
Jacinda Papps	Independent Market Operator (IMO)	Chair
Steve Gould	Landfill Gas & Power (LGP)	Industry Representative
Grace Tan	System Management	System Management Representative
John Rhodes	Synergy	Synergy Representative
Andrew Everett	Verve Energy	Verve Energy Representative
Michael Frost	Perth Energy	Industry Representative
Fiona Edmonds	IMO	Presenter
Greg Ruthven	IMO	Presenter (3:10 - 3:35pm)
Barbara Sole	IMO	Presenter (3:40 – 3:45 pm)
Shannon Turner	IMO	Minutes

Apologies		
Corey Dykstra	Alinta	Industry Representative

Item	Subject	Action
1.	<p>WELCOME AND APOLOGIES / ATTENDANCE</p> <p>The Chair opened the 7th meeting of the IMO Procedure Change and Development Working Group (Working Group) at 3:00pm</p> <p>As apology was received from Corey Dykstra.</p> <p>It was noted that Andrew Everett will now be the formal member for Verve Energy. The IMO to confirm that this amendment has been made.</p> <p><i>Action Point: The IMO to confirm Andrew Everett as the Verve Energy member for the Working Group.</i></p> <p>The Chair noted Mr Greg Ruthven and Ms Barbara Sole would be attending the meeting as the presenters and subject matter experts for the Procedure Change Proposals.</p>	IMO
2.	<p>MINUTES OF PREVIOUS MEETING</p> <p>The minutes from Meeting 6 of the Working Group, held on 28 July 2010, were circulated prior to this meeting.</p> <p>The minutes were accepted by Working Group members as a true and accurate record of the previous meeting.</p> <p>The Chair suggested that when there are long breaks between Working Groups, the minutes be ratified by email.</p> <p><i>Action Point: When there is a long break between Working Group meetings, the minutes are to be ratified by email.</i></p>	IMO
3.	<p>ACTIONS ARISING</p> <p>The actions arising were either complete or on the meeting agenda. The following exceptions were noted:</p> <p>Market Procedure for Supplementary Reserve Capacity (SRC):</p> <ul style="list-style-type: none"> • Item 77: The IMO to consider whether it would be appropriate to provide Working Group Members with a copy of the standard form contract for SRC. <p>The IMO noted that a copy of the IMO's standard form SRC contract was included as an appendix to Agenda Item 4.</p> <ul style="list-style-type: none"> • Item 80: The IMO to identify which Market Procedures can be amended to the new shorter condensed version and provide to Working Group members for consideration. <p>The IMO is currently considering which Market Procedures can be amended to the new shorter, condensed version.</p> <ul style="list-style-type: none"> • Item 87: The IMO to undertake a thorough review of description provided in Appendix A (particularly in the "Proposed Monitoring" column). 	

Item	Subject	Action
	<p>The IMO considers that the descriptions of the IMO's process for monitoring compliance with the Market Rules are adequate and do not require additional review.</p> <ul style="list-style-type: none"> • Item 100: The IMO to consider implementing a process where notices are issued as warnings to Rule Participants. <p>The IMO has determined to not implement a process of issuing notices as warning to Rule Participants as this would require updates to the Market Rules and is inconsistent with the IMO's current monitoring process.</p> <ul style="list-style-type: none"> • Item 114: The IMO to provide an out of session clarification to Working Group members regarding whether the Procedure Change Submission form must be used, and whether not using the form would invalidate submissions. <p>The IMO considers that the Market Rules were previously unclear as to whether procedure change submissions must be made using the prescribed form. The IMO incorporated a clarification to the recent fast track proposal (RC_2010_26) to clarify that submissions can be made either using the submission form or via an alternative method.</p>	
4	<p>PC_2010_12: MARKET PROCEDURE FOR SUPPLEMENTARY RESERVE CAPACITY (SRC) (new market procedure)</p> <p>The Chair noted that this will be the last time the Working Group will see this procedure as the IMO intends to submit this Procedure into the process following this meeting. The Chair also noted that the Market Rules around SRC are out of scope for this review and that the Working Group's responsibility is to confirm whether the procedure is consistent with the Market Rules (as they stand).</p> <p>The Chair also noted two new rule changes relating to the SRC provisions, from the most recent Market Advisory Committee meeting, are imminent, these are:</p> <ul style="list-style-type: none"> • Allowing the IMO to use the most recent forecasts in its assessment of whether SRC is required; and • Developing an annual consolidated fund to hold Capacity Cost Refunds to use to pay for SRC in the first instance (should it be required). <p>Mr Ruthven outlined the updates that had been made to the Market Procedure since it was last presented to the Working Group. Specifically, Mr Ruthven noted the previous concerns around the Maximum Contract Value and that the IMO has separately defined the Maximum Contract Value for generation and Load reduction facilities in the latest draft. Mr Ruthven then invited discussion on the proposed Market Procedure.</p> <ul style="list-style-type: none"> • Step 2.1.1(a): Mr Andrew Everett commented that there should be more clarity of how the IMO would predict plant outages and questioned whether there would be value in linking it to the MT PASA. 	

Item	Subject	Action
	<p>There was discussion around the timeframes for both the ST and MT PASA studies. It was noted that these are three weeks and three months respectively. The Chair also noted that the IMO receives ex-post outage information.</p> <p>It was agreed that the IMO would include a reference to the MT PASA in step 2.1.1(a) of the market Procedure.</p> <ul style="list-style-type: none"> Step 2.2.2: Mr Michael Frost queried how the IMO would decide whether to call for tenders or negotiate directly with potential suppliers of SRC. The Chair noted that this is an either/or choice and that if one fails the Market Rules prohibit the IMO from utilising the other option. <p>It was agreed that the IMO would investigate how it would make the decision to either call for tenders or negotiate directly with potential suppliers of SRC and note the outcomes of its investigation in the Procedure Change Proposal.</p> <p><i>Action Point: The IMO to consider how it makes the decision to either call for tenders or negotiate directly with potential suppliers of SRC and note the outcomes of its investigation in the Procedure Change Proposal.</i></p> <ul style="list-style-type: none"> Steps 2.4.7 and 2.5.3: Mr Everett noted that step 2.5.3 allows the IMO to accept or reject any proposals for the acquisition of SRC via direct negotiation and that this ability should be mirrored in the tender process. <p>The Chair noted that the Market Rules allow this. The IMO to update the Market Procedure to accept or reject any proposals for the acquisition of SRC via tender.</p> <p>Mr John Rhodes raised the following typographical points:</p> <ul style="list-style-type: none"> Step 2.4.3(j) iii: The IMO to check the Market Rule reference in this step and amend if required; Step: 2.4.3(j) iv multiply: the formula by “t” not 100, making it similar to the equation step 2.3.1; Step 2.4.6(b): amend the reference to 2.4.3(d); Step 2.4.6: It was noted that the semicolon in the formula makes the equation unclear and should be removed; and Step 2.6.2(f) the Market Rule references should be 4.24.16 and 4.24.17. <p>Mr Rhodes further noted that the Market Rules use price as a \$ per activation hour and that in the Market Procedure it is price as a \$ per MWh. Mr Rhodes noted that these are different concepts and that he considered that the Market Procedure is correct</p> <p>Mr Rhodes applauded the IMO for separately defining the Maximum Contract Value for generation and Load reduction facilities in the Market Procedure, but queried the use of VoLL as</p>	

Item	Subject	Action
	<p>a point of reference. Mr Rhodes suggested the IMO consider referencing the Reserve Capacity price instead. It was noted that this is a local value and would therefore be more appropriate to use. Mr Ruthven agreed that the Reserve capacity price is a local price, but noted that it is a reference based on constructing a generation facility rather than losing a load.</p> <p>Mr Gould mirrored Mr Rhodes' comments and further suggested that this could be an incentive attached to the value of Capacity Credits.</p> <ul style="list-style-type: none"> • Step 1.6.1: Mr Gould noted that the second sentence in 1.6.1 could be a standalone point. The IMO agreed. • Step 2.7.2: Mr Gould questioned this step, which noted that the IMO will not provide either the activation or the availability price for any Eligible Service to System Management. Mr Gould queried how System management would be able to economically dispatch these facilities in the absence of such information. The Chair clarified that an SRC Dispatch Merit Order (DMO) would be provided, noting that the normal DMO would not be able to be utilised as it is not a requirement for SRC Facilities to be registered participants. • Step 2.9.1: Mr Gould queried whether the review anticipated in this step should be wider than just the SRC provisions in section 4.24 of the Market Rules. The Chair noted that this clause in the Market Rules was an outworking of the SRC Working Group. The IMO to review the SRC Working Group's minutes to ascertain the intent of this review. <p><i>Action point: The IMO to review the SRC Working Group's minutes to ascertain the intent of the review outlined in clause 4.24.19 of the Market Rules.</i></p> <p><i>Action Point: The IMO to make the agreed changes to the SRC Market Procedure and submit the amended Market Procedure into the formal Procedure Change Process.</i></p> <p>The IMO Procedures Working Group then reviewed the Standard Form contract. The following comments and amendments were suggested:</p> <ul style="list-style-type: none"> • The IMO to change the address of the IMO to its current premises; • Clause 9.3: Mr Rhodes noted that the acronym AP was used in this clause and AVP and P_{av} had been used elsewhere. The IMO to review all acronyms used and ensure that these are consistent. <p><i>Action Point: The IMO to review all acronyms used in the SRC Standard Form Contract and the SRC Market Procedure and ensure that these are consistent.</i></p> <p>Clause 9.3: Mr Everett noted that the definition for FS should be the number of Trading Intervals in the day that the Supplier <u>did not</u> provide the Service.</p>	<p style="text-align: center;">IMO</p> <p style="text-align: center;">IMO</p> <p style="text-align: center;">IMO</p>

Item	Subject	Action
5	<p>PC_2010_07: MARKET PROCEDURE FOR WEB SITE CHANGES</p> <p>The Chair asked to move Agenda Item 6 forward.</p> <p>Ms Fiona Edmonds noted that the Market Procedure had been updated by the IMO to:</p> <ul style="list-style-type: none"> • Reflect the new format; • Expand the associated market documents section to include the list of confidentiality status document; and • Note the process where System Management has not been delegated the authority to directly post information or documents on the Market Web Site. <p>The Working Group supported the progression of the Procedure Change Proposal.</p> <p><i>Action point: The IMO to formally submit the Market Procedure for Web Site changes into the Procedure Change Process.</i></p>	<p style="text-align: center;">IMO</p>
6	<p>PC_2010_03: MONITORING PROTOCOL</p> <p>The Chair noted that the Market Procedure presented was a concise version, which is now no longer a direct copy of the Market Rules. Ms Barbara Sole noted that most of the information was included in a table at the end of the Market Procedure.</p> <ul style="list-style-type: none"> • Step 1.1.2: The IMO to update the reference to the latest version of the Market Rules that are available; • Step 1.5.1 (a): The IMO to remove this sub step as it replicates the information in the main step; and • Step 1.5.2: Mr Gould noted that this step could be further refined. Ms Sole agreed to remove “For the avoidance of doubt”. <p>Ms Tan wanted to note that the monitoring description for Market Rule 7.10.3 (outlined in appendix A of the Market Procedure) may need to be updated following the amendments to System Management’s Monitoring and Reporting PSOP (to allow for tolerances in System Management’s compliance reporting).</p> <p>The Working Group supported the progression of the Procedure Change Proposal.</p> <p><i>Action point: The IMO to update the Monitoring Protocol, as agreed by the Working Group and formally submit it into the Procedure Change Process.</i></p>	<p style="text-align: center;">IMO</p>
6	<p>GENERAL BUSINESS</p> <p>There was no general business.</p>	

Item	Subject	Action
7	<p>NEXT MEETING</p> <p>The Chair noted that there had been times proposed for the next two meetings in November and January but that the IMO may look to re-schedule the November meeting to the second week of December.</p>	
8	<p>CLOSED</p> <p>The Chair thanked all members for attending and declared the meeting closed at 3:50pm.</p>	



IMO Procedure Change and Development Working Group - Action Points

Legend:

Unshaded	Unshaded action points are still being progressed.
Shaded	Shaded action points are actions that have been completed
Missing	Action items missing from sequence have been completed from previous meeting and subsequently removed from the log.

#	Procedure arising	Section	Action	Status/Progress
105	Market Procedure for Reserve Capacity Performance Monitoring (PC_2010_05)		The IMO to include specific details of the substantial changes made to the Market Procedure in the Procedure Change Proposal.	Completed. Included in the Procedure Change Proposal, published 15 November 2010. The IMO is currently drafting its final report for this Procedure Change. For more information refer to: www.imowa.com.au/PC_2010_05
106			The IMO to confirm Andrew Everett as the Verve Energy member for the Working Group.	Completed. Andrew Everett is the Verve Energy member, refer to: www.imowa.com.au/IMO-Procedures-Working-Group
107			When there is a long break between Working Group meetings, the minutes are to be ratified by email.	Ongoing.
108	Market Procedure for Supplementary Reserve Capacity	2.2.2	The IMO to consider how it makes the decision to either call for tenders or negotiate	Completed. The IMO noted in its Procedure Change Proposal, published on 22 November 2011, that it will

#	Procedure arising	Section	Action	Status/Progress
	(PC_2010_08)		directly with potential suppliers of SRC and note the outcomes of its investigation in the Procedure Change Proposal.	consider a formal tender process if there is sufficient time and a number of potential providers of additional available capacity, otherwise the IMO will directly negotiate with potential suppliers. For more information refer to: www.imowa.com.au/PC_2010_08
109	Market Procedure for Supplementary Reserve Capacity (PC_2010_08)	2.9.1	The IMO to review the SRC Working Group's minutes to ascertain the intent of the review outlined in clause 4.24.19 of the Market Rules.	Completed. There was no additional information in the SRC Working Group's minutes. Therefore the clause in the Market Procedure directly reflects the clause in the Market Rules.
110	Market Procedure for Supplementary Reserve Capacity (PC_2010_08)		The IMO to make the agreed changes to the SRC Market Procedure and submit the amended Market Procedure into the formal Procedure Change Process.	Completed. The Procedure Change Proposal was published on 22 November 2011. For more information refer to: www.imowa.com.au/PC_2010_08
111	Market Procedure for Supplementary Reserve Capacity (PC_2010_08)		The IMO to review all acronyms used in the SRC Standard Form Contract and the SRC Market Procedure and ensure that these are consistent.	Completed.
112	Market Procedure for Website Changes (PC_2010_07)		The IMO to formally submit the Market Procedure for Web Site changes into the Procedure Change Process.	Completed. The Procedure Change Proposal was published on 15 November 2011. The amended Market Procedure commenced on 24 January 2011. For more information refer to: www.imowa.com.au/PC_2010_07
113	Monitoring Protocol (PC_2010_03)		The IMO to update the Monitoring Protocol, as agreed by the Working Group and formally submit it into the Procedure Change Process.	Completed. The Procedure Change Proposal was published on 22 November 2011. The IMO is currently assessing the submissions received. For more information refer to: www.imowa.com.au/PC_2010_03

Agenda Item 4: Market Procedure for Data and IT Interface Requirements

1. BACKGROUND

The Market Procedure for Data and IT Interface Requirements (Market Procedure) specifies the necessary technical details and standards, software and hardware specifications, and security standards required for Market Participants to operate in the Wholesale Electricity Market.

2. UPDATES TO THE MARKET PROCEDURE

The Market Procedure has been updated to:

- Reflect the IMO's new format arising from its Market Procedures project;
- Include some minor and typographical amendments to improve the integrity of the Market Procedure;
- Steps 4.2.1 and 4.2.2: Remove the minimum workstation requirements, specifically outlining just the recommended workstation requirements. The amended Market Procedure notes that workstations with lower specifications (to those outlined in the new procedure step 4.2.1) can connect and operate with the IMO however, substandard performance maybe experienced;
- Step 4.3.1(b) and (c): Clarify the internet explorer requirements for different versions of the Market Participant Interface; and
- Section 4.6: Update the IMO's Access Security section.

3. RECOMMENDATIONS

The IMO recommends that the IMO Procedure Change and Development Working Group (Working Group):

- **Discuss** the amendments to the Market Procedure for Data and IT Interface Requirements; and
 - **Note** that the IMO will formally submit these changes into the Procedure Change Process, subject to any comments from the Working Group.
-



MARKET PROCEDURE: Data and IT Interface
Requirements
VERSION 2

ELECTRICITY INDUSTRY ACT 2004

ELECTRICITY INDUSTRY (WHOLESALE ELECTRICITY MARKET) REGULATIONS 2004

WHOLESALE ELECTRICITY MARKET RULES

COMMENCEMENT:

This Market Procedure took effect from 8:00am (WST) on the same date as the Wholesale Electricity Market Rules took effect.

VERSION HISTORY

VERSION	EFFECTIVE DATE	NOTES
1	21 September 2006	Market Procedure for Web Site Changes
2	Xx Xxx 2011	Amendments to Market Procedure resulting from PC_2011_xx

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1 PROCEDURE OVERVIEW

1.1 Relationship with the Market Rules

1.1.1 This Data and IT Interface Requirements Market Procedure (Procedure) should be read in conjunction with clause 2.36.5 of the Wholesale Electricity Market (WEM) Rules (Market Rules).

1.1.2 Reference to particular Market Rules within the Procedure in bold and square brackets **[MR XX]** are current as of 1 October 2010. These references are included for convenience only, and are not part of this Procedure.

1.2 Purpose

1.2.1 The Procedure specifies the necessary technical details and standards, software and hardware specifications, and security standards required for Market Participants to operate in the WEM.

1.3 Application

1.3.1 This Procedure applies to the IMO and Market Participants.

1.4 Associated Market Procedures and User Guides

1.4.1 The following IMO Market Procedures are associated with this Procedure:

- a) Notices and Communications;
- b) Participant Registration and De-Registration;
- c) Facility Registration, De-Registration and Transfer;
- d) Individual Reserve Capacity Requirements;
- e) Settlement; and
- f) Meter Data Submissions.

1.4.2 The following User Guides are available on the IMO website (www.imowa.com.au) to assist Market Participant in setting up a user interface with WEMS and navigating the system:

- a) User Interface Setup;
- b) Market Participant Registration;
- c) Market Participant Interface;
- d) Settlement:

- i) Volume 1 – POMAX Settlement;
- ii) Volume 2 – Weblink;
- iii) Volume 3 – Dispute Resolution.

1.5 Interpretation

1.5.1 In this Procedure the conventions specified in clauses 1.3- 1.5 of the Market Rules apply.

2 SYSTEM OVERVIEW

Generally the Wholesale Electricity Market Systems (WEMS) provides the following functions in support of the administration of the WEM:

- a) Market Participant and Facility registration;
- b) to receive information on bilateral contracts, bids, resource plans;
- c) to clear the STEM;
- d) to interface with System Management;
- e) to interface with Metering Systems;
- f) Settlements and commercial reconciliations;
- g) to publish reports and information as required;
- h) to facilitate the Reserve Capacity Mechanism.

3 WEMS COMPONENTS

The following summarises the main components of the WEMS, including the relevant interfaces for Market Participants.

3.1 Market Infrastructure:

3.1.1 Market Infrastructure comprises three main user interfaces, Market Participant Registration, Market Participant Interface and Market Operator Interface. In addition, the system contains modules that perform requisite data collection, calculations and report management.

- a) Market Participant Registration (MPR): It is through MPR that registration of Market Participants and facilities occurs. Further information on the process of:
 - i) registering as a Market Participant can be found in the separate Participant Registration and De-Registration Procedure; and

- ii) registering Facilities can be found in the separate Facility Registration, De-Registration and Transfer Procedure.

- b) Market Participant Interface (MPI): The MPI provides the online communication mechanism between Market Participants and the IMO. It provides web forms for data submission and review, and also supports the upload and download of data in files. The interface includes the following webpages:
 - i) Market Trading, web forms for Market Participants submit, query and cancel data;
 - ii) Market Reports, for Market Participants to review market information;
 - iii) File Exchange, for Market Participants to upload and download files; and
 - iv) Message Displays, displays current market information.

- c) Market Operator Interface (MOI): Through MOI, the IMO's operators and staff can monitor and administer market functions.

- d) Additional Modules: Other Market Infrastructure Modules include:
 - i) Markets module, supports data submission and preliminary validation functions;
 - ii) Publishing module, generates standard reports pertaining to market infrastructure components;
 - iii) Prudential Risk Management, collects and computes prudential risk indicators;
 - iv) Data storage; and
 - v) Event Manager.

3.2 Market Applications:

3.2.1 The Market Applications function provides support to the energy and Reserve Capacity Mechanism, with computational modules including:

- a) Reserve Capacity Auction and Trade;
- b) Individual Reserve Capacity Requirements (IRCR). For further information on IRCR see the separate Initial IRCR Market Procedure;
- c) STEM;

- d) Marginal Cost Administered Price, Upwards Deviation Administered Price, and Downwards Deviation Administered Price Determinations;
- e) Dispatch Schedule Calculation.

3.2.2 The Market Applications function also calculates the following market parameters:

- a) The Maximum Reserve Capacity Price; and
- b) The Energy Price Limits, including the Maximum STEM Price, Minimum STEM Price and Alternative Maximum STEM Price.

3.3 Settlements:

3.3.1 The settlement function supports the financial settlement of trading through the WEM, including:

- a) Importing the information to be used in performing settlement obligations; and
- b) Calculating the determinants outlined in the Market Rules.

3.3.2 Settlement involves three main processes:

- a) STEM transactions, settled on a weekly basis;
- b) Non-STEM transactions, settled on a monthly basis;
- c) Adjustment to settlement, at least once every three months.

3.3.3 For more information on the IMO's settlement process please refer to the Settlement Market Procedure.

3.4 Metering:

3.4.1 The metering function obtains metering data from Metering Data Agents and provides settlement ready data for the settlement function.

3.4.2 For more information on the submission of metering data please refer to the Meter Data Submission Market Procedure.

3.5 Accounting and Billing:

3.5.1 The accounting and billing function aggregates payments and charges and generates invoices for Market Participants. It also tracks the status of invoices and payments.

3.5.2 Market Participants are able to view and download invoices using the WebLink web-interface application.

3.5.3 For more information on billing and invoice processes please refer to the Settlement Market Procedure.

4 MARKET PARTICIPANT REQUIREMENTS

The WEMS is used by Market Participants to provide, collect and review information. The WEMS is the primary communication tool for several functions. It is essential that adequate computer systems are used to support the relevant WEMS functions.

4.1 Redundancy

4.1.1 Market Participants must have one or more primary workstations and one or more secondary workstations configured for access to the WEMS.

4.1.2 Market Participant's primary and secondary workstations must not use the same ~~network access~~ IT infrastructure, ~~for example~~ this includes and is not limited to:

- a) ~~Uninterruptible power supply; or~~
- b) ~~Patch panel; or~~
- c) ~~Network switch; or~~
- d) ~~Network router; or~~
- e) ~~Proxy server; or~~
- f) ~~DNS server; or~~
- g) ~~Internet connection; or~~
- h) ~~Internet service provider.~~

4.2 Hardware Requirements

~~4.2.1 The following workstation requirements are recommended as a minimum to operate in the WEMS environment:~~

- ~~a) Intel Pentium 4 3GHz Processor or equivalent;~~
- ~~b) 512 MB Memory;~~
- ~~c) 40 GB hard disk;~~
- ~~d) Graphics card set to a resolution of 1024 x 768 or better;~~
- ~~e) Reliable high speed (broad speeds 512Kb/s+) connection to the Internet, with HTTP access to TCP port 80 and HTTPS access to TCP ports 443 and 563 on the Market Web Site;~~

~~f) 19" Monitor set to a resolution of 1024 x 768 or better;~~

~~g) Keyboard and Wheel Mouse.~~

4.2.21 The following workstation requirements are recommended:

- a) Intel Pentium 4 3 GHz Processor or equivalent;
- b) 1 GB Memory;
- c) 160 GB hard disk;
- d) Graphics card set to a resolution of 1280 x 1024 or better;
- e) Reliable high-speed (broad speed 2Mb/s+) connection to the Internet, with HTTP access to TCP port 80 and HTTPS access to TCP ports 443 and 563 on the Market Web Site;
- f) 19"+ LCD TFT Monitor with a native resolution of 1280 x 1024 or better; and
- g) Keyboard and Wheel Mouse.

4.2.2 While workstations with lower specifications (to those outlined in step 4.2.1) can connect and operate with the IMO, substandard performance maybe experienced.

4.2.3 It is recommended that a high resolution colour print be used that supports multiple fonts.

4.3 Software Requirements

4.3.1 The following software is required as a minimum to operate with the WEMs environment:

a) Windows WP Proc (Recommend SP2 or later), patched to current Microsoft recommendations unless otherwise notified by the IMO;

b) For participants that use the ABB MPI Internet Explorer 6 is required;

~~b)c) For participants that use the IMO MPI Internet Explorer 6 or , Internet Explorer 7 can be used; or later, patched to current Microsoft recommendations unless otherwise notified by IMO;~~

~~c)d) Sun Java Runtime environment version 1.5;~~

~~d)e) Appropriate Anti Virus Software with regular definition updates~~

4.3.2 ~~A free copy of the~~ Sun Java Runtime environment is available for download from: <http://java.sun.com>

4.3.3 For information on installing the Java Runtime Environment, refer to section 1.2 of the User Interface Setup Guide available on the IMO website.

4.3.4 Market Participants are required to use FormsPlayer XForms browser plug-in. A copy of this software will be provided by the IMO to all Market Participant. For information on installing FormsPlayer, refer to section 1.3 of the User Interface Setup Guides available on the IMO website.

4.4 Network Requirements

4.4.1 The IMO must provide Market Participants with access to the WEMS via the Internet. To facilitate this, Market Participants will require an internet connection to allow for browser access to the WEMS.

4.4.2 Market Participants must use an appropriate high speed (broadband speed, 512 Kb/s or more) Internet connection as a minimum to ensure adequate service for the WEMS.

4.4.3 Market Participants are required to ensure the security and availability of their own network connections.

4.4.4 Market Participants must implement an appropriate firewall technology to ensure the security of Market Participants networks.

4.5 Time synchronisation

4.5.1 Market Participants workstations must be synchronised with a Network Time Server.

4.5.2 The IMO recommends that Market Participants use the Microsoft network time server, due to ease of configuration with Windows XP.

4.6 Use of Digital Certificates IMO Access Security

4.6.1 The IMO must implement appropriate access controls to protect unauthorised access and disclosure of confidential information transmitted through electronic communications.

4.6.2 ————The use of Digital Certificates for user authentications is the current one mechanism used to meet ~~to assist in fulfilling~~ this security requirement. The IMO may replace this mechanism by suitable technology that provides the same (or better) security measures. While Digital Certificates are in use:

a) Market Participants must use the distributed Digital Certificate to access the secured WEMS Web Site; and

b) Market Participants must secure their Digital Certificate against inappropriate use.

~~In addition, Digital Certificates are leveraged to assist in the implementation of authorisation functions.~~

4.6.3 The IMO must provide a secure [access Digital Certificate](#) for each Market Participant user of the WEMS. For further details of [current security mechanism in place](#) ~~applying for a Digital Certificate~~ please refer to the Participant Registration Market Procedure.

~~e) 4.6.4 Market Participants must use the distributed Digital Certificate to access the secured WEMS Web Site.~~

~~f) —~~

~~g) 4.6.4 Market Participants must secure their Digital Certificate against inappropriate use.~~

~~h) 4.6.5 The Digital Certificate will be used to authenticate the user upon connection to the WEMS environment and will be the basis for the definition of access privileges. Data transferred between a Market Participant's browser and the WEMS web server is encrypted by the Secure Sockets Layer (SSL), ensuring that each participant is authenticated and that no one can impersonate another participant. For further information on the installation of Digital Certificates please refer to section 1.2 of the User Interface Setup Guide available on the IMO website.~~

4.7 [Market Connectivity](#) ~~Extensible Mark-up Language (XML) Files~~

4.7.1 The primary mechanism for the conveyance of data between Market Participant and the WEMS will be the XML file transfer. XML is a text-based mark-up language used to convey data between sources.

4.7.2 The XML file can be viewed in readable form using spreadsheet software and web browsers, for example Excel and Internet Explorer. Neither of these methods however provides a simple user experience and the appearance of the translated XML data can be difficult to read. External translation files (XSL files) specifically designed for each XML file allow for a better viewing experience and are referenced within the XML file itself.

4.7.3 Market Participants may use a XML manipulation tool such as Altovas XMLSpy or an equivalent product to allow for easy manipulation of XML reports provided by the WEMS and to validate files to be passed back to the WEMS.

4.7.4 Where a Market Participant does not wish to manipulate XML manually, in accordance with step 3.7.3, they may use the browser based Graphical User Interfaces provided in the WEMS for the submission of all data.



Agenda Item 5: Market Procedure for Prudential Requirements

1. BACKGROUND

The IMO is currently progressing two Rule Change Proposals that impact on the Market Procedure for Prudential Requirements (Market Procedure). These are:

- Removal of Network Control Services Expression of Interest and Tender Process from the Market Rules (RC_2010_11); and
- Acceptable Credit Criteria (RC_2010_36).

The proposed amended Market Procedure (attached as appendix 1 to this paper) outlines the changes required to ensure consistency with the proposed Amending Rules (as required by clause 2.10.3 of the Market Rules). The IMO has also updated the Market Procedure to reflect the IMO's new format arising from its Market Procedures project.

The IMO would like to note that, at this stage, the remainder of the Market Procedure is not going to be considered as part of this Procedure Change Proposal. This is because the IMO is currently undertaking a review of its prudential processes and will propose relevant amendments following the completion of this review. Therefore, the IMO requests that the IMO Procedure Change and Development Working Group (Working Group) just review and comment on the tracked changes.

2. NETWORK CONTROL SERVICES

2.1 Background

The IMO has recently published its Draft Rule Change Report for the Rule Change Proposal: Removal of Network Control Services (NCS) Expression of Interest and Tender Process from the Market Rules (RC_2010_11). A copy of the IMO's report is available on the following webpage: http://www.imowa.com.au/RC_2010_11

2.2 Updates to the Market Procedure

In order for the Market Procedure to be consistent with the Market Rules, the IMO has removed the references to Network Operator. This is because the NCS payment will be a contractual off-market payment; therefore no prudential support will be required from Network Operators. These changes have been made in the proposed amended Market Procedure.

3. ACCEPTABLE CREDIT CRITERIA

3.1 Background

The IMO has also recently published its Draft Rule Change Report for the Rule Change Proposal: Acceptable Credit Criteria (RC_2010_36). A copy of the IMO's report is available on the following webpage: http://www.imowa.com.au/RC_2010_36



An overview of the IMO's proposed process is presented below:

- Annual certification through an acceptable means, such as completion of an Acceptable Credit Criteria form that the financial institution meets the Acceptable Credit Criteria from either:
 - the Market Participant's external solicitors (status quo); or
 - the financial institution's external solicitors.

Each certification would be valid for a period of 12 months, after which a further certification would be required;

- The IMO comprises a list of acceptable credit providers based on the certifications received and publishes the list on the Market Web Site. The IMO may at any time remove an entity from the list at any time;
- The IMO will monitor monthly whether the entities on the list maintain appropriate credit ratings in accordance with clause 2.38.6(f). If an entity does not maintain an appropriate credit rating, then the IMO will remove that entity from the list of acceptable credit providers published on its website;
- In the case where an entity is on the list of acceptable credit providers, the Market Participant will not need to provide the IMO with any further certification that the entity meets the Acceptable Credit Criteria; and
- In the case where an entity is not on the list of acceptable credit providers the IMO must be provided with a certification through the usual means by completion of an Acceptable Credit Criteria form that the entity meets the Acceptable Credit Criteria. The entity will then be included on the list of acceptable credit providers for a period of 12 months.

3.2 Updates to the Market Procedure

In order for the Market Procedure to be consistent with the Market Rules, the IMO has:

- Included further details of the form for certification and the process for providing the IMO with the certification, along with a process for applying to be listed as an acceptable credit provider;
- Included a link to where the Acceptable Credit Criteria form is available on the public webpage; and
- Clarified that the certification can be from either the Market Participant or the financial institution's external solicitor.

These changes have been made in the proposed amended Market Procedure.

4. RECOMMENDATIONS

The IMO recommends that the IMO Procedure Change and Development Working Group:

- **Discuss** the proposed amended Market Procedure, updated as a result of RC_2010_11 and RC_2010_36; and
-



- **Note** that the remainder of the Market Procedure is out of scope for the purposes of this Procedure Change Proposal, as the IMO is currently undertaking a more detailed process review. Any amendments resulting from this review will be presented to the Working Group.



MARKET PROCEDURE: Prudential Requirements

VERSION 3

ELECTRICITY INDUSTRY ACT 2004

ELECTRICITY INDUSTRY (WHOLESALE ELECTRICITY MARKET) REGULATIONS 2004

WHOLESALE ELECTRICITY MARKET RULES

COMMENCEMENT:

This Market Procedure took effect from 8:00am (WST) on the same date as the Wholesale Electricity Market Rules.

VERSION HISTORY

VERSION	EFFECTIVE DATE	NOTES
1	12 September 2006	Market Procedure for Prudential Requirements
2	15 October 2008	Amendments to Market Procedure resulting from PC_2008_08
3	Xx	Amendments to Market Procedure resulting from PC_2011_Xx

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1 PRUDENTIAL REQUIREMENTS PROCEDURE

1.1 Relationship with the Market Rules

1.1.1 This Prudential Requirements Market Procedure (Procedure) should be read in conjunction with sections 2.37 to 2.43 of the Wholesale Electricity Market (WEM) Rules (Market Rules).

1.1.2 Reference to particular Market Rules within the Procedure in bold and square brackets **[MR XX]** are current as of 18 January 2011. These references are included for convenience only, and are not part of this Procedure.

1.2 Purpose

1.2.1 The Procedure outlines the process by which the IMO will operate in managing liabilities that arise in the Settlement process.

1.2.2 This Procedure outlines:

- a) how the IMO will determine Credit Limits;
- b) how the IMO will assess persons against the Acceptable Credit Criteria; and
- c) the arrangement for Credit Support, including:
 - i. the form of acceptable guarantees and bank letters of credit;
 - ii. where are how the IMO will hold cash deposits and the costs and fees of holding cash deposits will be met;
 - iii. the application of monies drawn from Credit Support in respect of amounts owed by the relevant Market Participant to the IMO;
- d) how Trading Margins are to be calculated;
- e) guidelines for assessing the expected value of transactions;
- f) how Margin Calls will be issued; and
- g) other matters relating to clauses 2.37 to 2.42 of the Market Rules.

1.3 Application

1.3.1 This Procedure applies to:

a) Market Participants;

b) The IMO.

1.4 Associated Market Procedures

1.4.1 The following IMO Market Procedures are associated with this Procedure:

a) Reserve Capacity Security;

b) Settlement;

1.5 Interpretation

1.5.1 In this Procedure the conventions specified in clauses 1.3- 1.5 of the Market Rules apply. The following additional clarifications are noted for the purposes of this Procedure:

a) “Due Date” is the due date for Credit Support notified by the IMO in accordance with step 2.7.1 of this Procedure.

2 PROCEDURE STEPS

This section outlines the procedure steps associated with each of the processes outlined in section 1.2.2.

2.1 Procedure Steps for determining Credit Limits

2.1.1 The IMO is required to determine a Credit Limit for each Market Participant.

2.1.2 The IMO is to review each Market Participant’s Credit Limit at least once a year and may revise a Market Participant’s Credit Limit at any time. Reasons that the IMO may review a Market Participant’s Credit Limit more frequently than once a year include, but are not limited to:

a) Market Participant request;

b) issuance of a Margin Call Notice;

c) significant changes in metered consumption quantities; and

d) significant changes in quantities of electricity purchased bilaterally.

2.1.3 The Market Rules do not prescribe the formula to determine the Credit Limit for a Market Participant, instead they outline the underlying principles and factors to be taken into account. This procedure outlines the general principles the IMO utilises in determining the Credit Limit as prescribed under clause 2.37.4 of the Market Rules. Clause 2.37.4 also outlines what the IMO must take into consideration when determining the Credit Limit.

2.1.4 The IMO will provide notification to each Market Participant of its Credit Limit, and any revised Credit Limit, including details of the basis for making the determination.

~~Network Operators~~

~~2.1.5 The IMO is required to determine a Credit Limit for each Network Operator that is required to fund a Network Control Service Contract.~~

~~2.1.6 The Credit Limit is determined as the maximum possible amount payable over a 70 day period under the Network Control Service Contract.~~

~~2.1.7 The IMO is required to review a Network Operator's Credit Limit at the commencement and termination of a Network Control Service Contract.~~

~~2.1.8 The IMO will provide any Network Operator to which this procedure relates written notification of their Credit Limit, and any revised Credit Limit, including details of the basis for making the determination.~~

~~2.2 Market Participant Obligations~~

2.1.5 The Wholesale Electricity Market System ("WEMS") provides a screen for Market Participants to enter prudential support details online as part of the Rule Participant registration process. For a description of the fields for completing prudential support details on WEMS, refer to the Market Participant Registration Software User Guide ("User Guide") available on the Market Web Site. The fields to be completed in the Prudential Support Display are described in section 3.7 of the User Manual including an illustration of the Prudential Support Display screen on the WEMS.

2.1.6 A Market Participant must give notice to the IMO in the event that it considers that:

- (a) its metered consumption quantities in a Trading Month will significantly exceed the amount used in the calculation of its Credit Limit; or
- (b) its quantity of electricity purchased bilaterally in a Trading Month will be significantly lower than used in the calculation of its Credit Limit.

The notification is to be made in writing, by email to imo@imowa.com.au, as soon as practicable, and no later than one Business Day after the Market Participant makes the determination.

Determination of Credit Limits for existing Market Participants

2.1.7 The IMO is required to outline how it will determine Credit Limits. The method for setting the Credit Limit will normally be based on a Market Participant's Anticipated

Maximum Exposure (AME) to the Market over 70 consecutive days. The IMO's method for determining this is as follows:

- (a) For each settled Trading Month (Non-STEM) the IMO calculates the Trading Day exposure for each participant to the market. This Trading Day exposure consists of the balancing settlement for the Trading Day and each day's share of Ancillary Service payments, Market Fees, Reconciliation Settlement and Reserve Capacity payments.
- (b) Using each day's Trading Day exposure, the IMO calculates the total running 70 day exposure, for all consecutive 70-day periods up to the last day of the last settled Trading Month.
- (c) The highest running 70 day total, plus GST, determines a Participant's 70 day exposure to Non-STEM.
- (d) For Participants participating in STEM, the IMO determines the maximum consecutive 15 day exposure for the participant to STEM (with the addition of GST).
- (e) The determined maximum Non-STEM exposure over 70 consecutive days is added to the maximum 15 day exposure to the STEM. This total makes up the AME and sets the Credit Limit for the Participant.

2.1.8 Whilst the AME will usually be used to set Credit Limits, there are instances where it will not. These instances include, but are not limited to:

- (a) A new Participant without prior history in the Market;
- (b) dramatic changes in circumstances, such as significant increase in customer numbers, acquisition of plant or other operational changes;
- (c) dramatic changes in commercial behaviour, such as abrupt cessation in bilateral contracting and instead purchasing all energy on the STEM.

2.1.9 The approach adopted for calculating the Credit Limit will necessitate modelling assumptions. The reasonableness of the IMO's modelling assumptions will be monitored and periodically tested to ensure the adopted methodology continues to estimate a Credit Limit that meets the requirements of the Market Rules.

2.1.10 The Wholesale Electricity Market System (WEMS) contains a Report (named PRM_Indicator) in which Participants can monitor their AME, as well as their Available Exposure or Trading Margin (see step 2.11 of this Procedure).

Determination of Credit Limits for a new Market Participant

- 2.1.11 Before a Market Participant has participated in the Market, the IMO will determine an initial Credit Limit based on the assumptions listed in step 2.1. When the IMO has one full month of settled data in Non-STEM, it may use this settled data, extrapolated to 70 days, plus any consecutive 15 days of STEM exposure to determine a new Credit Limit.
- 2.1.12 After three Non-STEM settlements for the Market Participant, the IMO may determine a Credit Limit using the method described in steps 2.1.7 – 2.1.10.

Determination of initial Credit Limit for a new Market Generator

- 2.1.13 Prior to having actual values from which to determine the Credit Limit, the IMO may set an initial Credit Limit based on the following data, to be provided by the Participant during Registration and/or upon request from the IMO:
- (a) The Generation capacity of its facilities;
 - (b) The certified capacity of its facilities;
 - (c) The amount of energy it has bi-laterally contracted; and
 - (d) The amount of Capacity Credits bilaterally traded.
- 2.1.14 Based on this data, the IMO may determine:
- (a) The maximum cost of the energy assumed to be bought in balancing over 70 days
 - (b) The maximum amount of Market Fees and Ancillary Service Payments over 70 days
 - (c) The maximum amount of Reserve Capacity Refunds over 70 days
- 2.1.15 The determination in step 2.1.14 forms the basis for the IMO's determination of the initial Credit Limit for the new Market Generator.
- 2.1.16 A Market Generator with a Facility under construction, who has not yet provided Credit Support to the IMO, will have to provide Credit Support amounting to at least the initial Credit Limit before the end of the Commissioning Trial.
- 2.1.17 In order to cover the Market Generator's exposure to the market for energy consumed during the Commissioning Trials, it must provide Credit Support covering at least 10% of the initial Credit Limit before commissioning commences. The Participant also needs to complete all Prudential and Financial registration

requirements prior to the commencement of its Commissioning Trials (see the Market Procedure for Participant Registration).

Determination of initial Credit Limit for a new Market Customer

2.1.18 Prior to having actual values from which to determine the Credit Limit, the IMO may set an initial Credit Limit based on the following data, to be provided by the Participant upon request from the IMO:

- (a) The amount of energy contracted to sell;
- (b) The amount of Capacity Credits assigned under bi-lateral contracts; and
- (c) The amount of energy to be purchased under bi-lateral contracts.

2.1.19 Based on this data, the IMO may determine:

- (a) The maximum cost of energy to be bought in the balancing market over 70 days; and
- (b) The maximum amount of capacity credits to be bought from the IMO over 70 days.

2.1.20 This determination forms the basis for the IMO's setting of the initial Credit Limit for the new Market Customer.

2.2 Procedure Steps for Credit Support Arrangements

2.2.1 Pursuant to clause 2.38.1 of the Market Rules, a Market Participant ~~or Network Operator~~ must ensure that the IMO holds the benefit of Credit Support if they do not meet the Acceptable Credit Criteria outlined in Market Rules 2.38.6.

2.2.2 The amount of Credit Support is to be no less than the Credit Limit determined for the Market Participant ~~or Network Operator~~, by the IMO.

2.2.3 If a Market Participant ~~or Network Operator~~ has provided Credit Support which is due to expire on a given date, it must, no less than ten days prior to the expiration or termination of existing Credit Support, provide replacement Credit Support in an amount not less than their determined Credit Limit. The replacement Credit Support must become effective at the expiry of the existing Credit Support.

2.2.4 A Market Participant ~~or Network Operator~~, must provide replacement Credit Support, or increase their current Credit Support, to an amount not less than their determined Credit Limit in the following circumstances:

- (a) where the IMO has increased the Credit Limit;
- b) where existing Credit Support is no longer current or valid (e.g. credit support provider no longer meets Acceptable Credit Criteria);
- (c) where some, or all, of the Credit Support has been drawn on by the IMO;
- (d) when the Market Participant ~~or Network Operator~~ wishes to change the type of Credit Support provided, for example from a Security Deposit to a Bank Undertaking.

The Market Participant ~~or Network Operator~~ must ensure that the IMO holds the benefit of the replacement Credit Support within one Business Day of receiving notice from the IMO.

2.3 Procedure steps to be followed by Market Participants to confirm an entity meets the Acceptable Credit Criteria

2.3.1 A Market Participant ~~or Network Operator~~ that meets the Acceptable Credit Criteria does not have to provide Credit Support to the IMO.

2.3.2 Where a Market Participant does not meet the Acceptable Credit Criteria and elects to provide a Credit Support other than as a cash deposit, and the entity providing the Credit Support is not included on the list of entities that meet the Acceptable Credit Criteria maintained by the IMO on its website, a Market Participant must arrange for completion of an Acceptable Credit Criteria Form, outlining that an entity meets the Acceptable Credit Criteria outlined in clause 2.38.6, from either:

- (a) the Market Participant's external solicitors; or
- (b) the entity's external solicitors.

A copy of the Acceptable Credit Criteria Form is available on the following Market Web Site: http://www.imowa.com.au/10_5_1_market_forms.htm

A copy of the current list of entities that meet the Acceptable Credit Criteria is available on the following Market Web Site: http://www.imowa.com.au/prudential_information

2.3.3 Market Participants arranging for Credit Support to be provided by an entity that is included on the IMO's list of entities that meet the Acceptable Credit Criteria, published on the Market Web Site, are not required to submit an Acceptable Credit Criteria Form.

2.3.4 In arranging for the completion of the Acceptable Credit Criteria Form under step 2.3.2, ~~t~~The Market Participant ~~or Network Operator~~ is responsible for arranging ~~a~~for a firm of solicitors ~~firm of solicitors~~ to undertake all necessary investigations to enable a partner of the firm to sign the Acceptable Credit Criteria Form. This may be the solicitors for the Market Participant or the solicitors for the entity providing the security.

2.3.5 A completed Acceptable Credit Criteria Form is one that:

- (a) has an affirmative response to each of the six statements;
- (b) has been completed with the full details of the entity to which it applies; and
- (c) has been signed by a partner in a reputable firm of solicitors which is acceptable to the IMO.

~~3.2.4 The IMO may in its absolute discretion determine whether a firm of solicitors meets the requirements of Step 3(c).~~

2.3.6 Before submitting an Acceptable Credit Criteria Form, the Market Participant ~~or Network Operator~~ may submit a request to the IMO to confirm whether a particular firm of solicitors meets the requirements of step 2.3.5 (c).

2.3.7 If the IMO requests the Market Participant ~~or Network Operator~~ to provide any supporting documents to support the statements in the Acceptable Credit Criteria Form, the Market Participant ~~or Network Operator~~ must provide all relevant documents within one Business Day or any other time agreed with the IMO.

2.3.8 Market Participants must submit a completed Acceptable Credit Criteria Form to the IMO either by person or electronically to the following email address: imo@imowa.com.au

2.4 Procedure steps to be followed where a Market Participant ~~or Network Operator~~ is required to ensure that the IMO holds the benefit of Credit Support.

2.4.1 If a Market Participant ~~or Network Operator~~ is required to provide Credit Support under clause 2.38 of the Market Rules, the Market Participant ~~or Network Operator~~ must provide the Credit Support by the Due Date notified by the IMO.

2.4.2 The Market Participant ~~or Network Operator~~ can provide the Credit Support by way of:

- (a) Guarantee or Undertaking, in accordance with the procedures detailed in Section 2.5 of this Market Procedure; or

- (b) Security Deposit, in accordance with the procedures detailed in Section 2.6 of this Market Procedure. **[MR 2.38.4]**.

2.5 Procedure steps to be followed by ~~the Market Participants~~ and ~~Network Operators~~ for Guarantees or Undertakings

2.5.1 The Market Participant ~~or Network Operator~~ must download a copy of the following documents from the Market Web Site:

- (a) Proforma Guarantee or Undertaking, as applicable; and
- (b) Acceptable Credit Criteria Form (this is not required if the Bank or Treasury Corporation is on the list of acceptable credit providers, as published on the IMO Market Web Site).

2.5.2 The Market Participant ~~or Network Operator~~ must by the Due Date notified by the IMO, submit to the IMO:

- (a) a completed Guarantee or Undertaking for an amount not less than the Credit Limit determined for the ~~Market Participant~~ Market Participant; and ~~or Network Operator, as the case may be; and~~
- (b) a completed Acceptable Credit Criteria Form for the credit support provider (if applicable).

2.5.3 A completed Guarantee or Undertaking is one that:

- (a) is in the form approved by the IMO from time to time; and
- (b) has been executed by a Treasury Corporation, Guarantee, or a Bank, Undertaking, that meets the Acceptable Credit Criteria.

2.5.4 The Guarantee or Undertaking must be consistent with the most recent proforma version available on the IMO website and only modified to the extent contemplated in the proforma version. The IMO does not allow any variations from the proforma.

2.5.5 The approved form of Guarantee and the approved form of Undertaking each require that the Treasury Corporation or Bank issuing the Guarantee or Undertaking must provide funds up to the amount of the Credit Support within 90 minutes of the IMO making a call on the Credit Support.

2.5.6 At the time of providing a Guarantee or Undertaking to the IMO, the Market Participant ~~or Network Operator~~ must also provide to the IMO:

- (a) Contact details of no less than two individuals at the Bank or Treasury Corporation whom the IMO can contact in regard to making a call on the Credit Support.
- (b) Any special procedure the Bank or Treasury Corporation requires the IMO to follow when calling on the Credit Support.

2.5.7 The Market Participant ~~or Network Operator~~ must ensure that the Bank or Treasury Corporation agrees with the IMO on a process that will enable the IMO to access funds within 90 minutes. Failure by the Bank or Treasury Corporation to do so will constitute a breach of clause 2.43.1 of the Market Rules by the Market Participant ~~or Network Operator~~.

2.5.8 When providing a Guarantee or Undertaking to the IMO, the Market Participant ~~or Network Operator~~ should agree on a place of delivery with the IMO and hand over the document to the IMO in person. For additional security, two people from the Market Participant ~~or Network Operator~~ and two people from the IMO should be present during the transaction.

2.5.9 If the Market Participant ~~or Network Operator~~ is not able to hand over the document in person, it should be provided to the IMO by Courier or Recommended Mail, requiring a signature of receipt.

2.5.10 The IMO will provide a written receipt to the Market Participant ~~or Network Operator~~ upon receipt of the Guarantee or Undertaking.

2.5.11 If the Market Participant ~~or Network Operator~~ provides a Guarantee or Undertaking to the IMO and the IMO determines that the Guarantee or Undertaking is not compliant with the Market Rules or this Market Procedure, then the Market Participant must submit Credit Support that is compliant with the Market Rules and this Market Procedure on or before the Due Date, or as agreed upon with the IMO.

2.5.12 If the Market Participant ~~or Network Operator~~ has not received notification of compliance of the Credit Support within two Business Days of submitting all documentation, it is the obligation of the Market Participant to contact the IMO directly to request and receive confirmation whether the Credit Support is compliant.

2.6 Procedure steps to be followed by ~~the Market Participants and Network Operators~~ for Security Deposits

2.6.1 The Market Participant ~~or Network Operator~~ must download a copy of the following documents from the Market Web Site:

- (a) Proforma Security Deposit Deed; and

(b) Security Deposit Instructions.

2.6.2 By the Due Date notified by the IMO, the Market Participant ~~or Network Operator~~ must:

(a) submit two signed originals of a completed Security Deposit Deed to the IMO ; and

(b) provide, in cleared funds, the amount of Credit Support for an amount not less than the Credit Limit determined for the Market Participant ~~or Network Operator~~ to the IMO in accordance with the Security Deposit Instructions.

It is to be noted that a failure by the Market Participant ~~or Network Operator~~ to provide both the completed Deed and the cleared funds by the Due Date specified by the IMO is a non compliance with clause 2.38.1 of the Market Rules and a suspension event under clause 9.23.1 of the Market Rules.

Should the Market Participant ~~or Network Operator~~ require time beyond the Due Date to provide the Deed to the IMO, it must request this from the IMO in writing. The IMO is not obliged to agree to any such request.

2.6.3 A completed Security Deposit Deed is one that:

(a) is in the form approved by the IMO from time to time; and

(b) has been executed by or on behalf of the Market Participant ~~or Network Operator~~.

2.6.4 If the Market Participant ~~or Network Operator~~ submits the Credit Support to the IMO under step 2.6.2 and the IMO determines that the Credit Support is not compliant with the Market Rules or this Market Procedure, then the Market Participant may submit further Credit Support that is compliant with the Market Rules and this Market Procedure on or before the Due Date.

2.6.5 If the Market Participant or ~~Network Operator~~ has not received notification of compliance of the Credit Support within two Business Days of submitting all documentation, it is the obligation of the Market Participant to contact the IMO directly to request and receive confirmation whether the Credit Support is compliant.

2.6.6 If the IMO notifies the Market Participant ~~or Network Operator~~ that the Security Deposit Deed meets the requirements of the Market Rules and this Market Procedure then the Market Participant ~~or Network Operator~~ must provide, in cleared funds, the amount of Credit Support to the IMO in accordance with the Security Deposit Instructions by the Due Date. The IMO will sign the two originals of the Deed and return one signed original to the Market Participant ~~or Network Operator~~.

2.6.7 If the IMO notifies the Market Participant ~~or Network Operator~~ that the Security Deposit Deed does not meet the requirements of the Market Rules and this Market Procedure then the Market Participant ~~or Network Operator~~ must, by the Due Date:

- (a) submit a Security Deposit Deed that meets the requirements of the Market Rules and this Market Procedure and provide, in cleared funds, the amount of Credit Support to the IMO in accordance with the Security Deposit Instructions; or
- (b) provide another form of Credit Support under this Market Procedure.

2.6.8 The Security Deposit Deed contains a clause which specifies:

“The Depositor shall, within 14 days after the date of execution of this Deed, comply with section 263 of the Corporations Act 2001 (Cth) in relation to the security created by the Depositor under this Deed.”

This clause requires the Market Participant ~~or Network Operator~~ to register with ASIC a charge for the Security Deposit which nominates the IMO as the chargee. Further details can be found on the ASIC website; however the participant may wish to seek advice as to the process of lodgement. Please note that the IMO is not a corporation, and this should be indicated on the appropriate form.

Once the Security Deposit Deed is registered, the Market Participant ~~or Network operator~~ must provide evidence of registration to the IMO within 14 days of the date the Security Deposit Deed was signed by the IMO and returned back to the Market Participant ~~or Network Operator~~. A failure to provide the IMO with a copy of the registered charge within 14 days constitutes a breach of clause 2.43.1 of the Market Rules.

2.7 Procedure steps to be followed by the IMO for Credit Support

2.7.1 At the same time as the IMO notifies the Market Participant ~~or Network Operator~~ of the Credit Limit determined under clauses 2.37.1 or 2.37.6 of the Market Rules, the IMO must notify the Market Participant ~~or Network Operator~~ whether it is required to provide Credit Support and the due date (“Due Date”) for any Credit Support required.

2.7.2 On receiving a submission from a Market Participant ~~or Network Operator~~ for Credit Support, the IMO must review the Credit Support arrangement and determine whether it is compliant with the Market Rules and this Market Procedure (including but not limited to whether it meets the Acceptable Credit Criteria requirements).

2.7.3 Within five Business Days of receiving all documentation for Credit Support arrangements, IMO must notify the Market Participant ~~or Network Operator~~ that the Credit Support is either:

- (a) compliant with the Market Rules and this Market Procedure; or
- (b) not compliant with the Market Rules or this Market Procedure, in which case the IMO must provide reasons as to why the Credit Support is not compliant.

2.7.4 If the Market Participant ~~or Network Operator~~ submits its Credit Support documentation to the IMO and the IMO determines that the Credit Support is not compliant with the Market Rules or this Market Procedure, then the IMO must notify the Market Participant ~~or Network Operator~~ on the first Business Day following the Business Day on which the Market Participant submitted the Credit Support documentation and must provide reasons as to why the Credit Support is not compliant.

2.7.5 In the case of a Guarantee or Undertaking, at the same time as the IMO issues confirmation to the Market Participant ~~or Network Operator~~ that the Guarantee or Undertaking meets the requirements of the Market Rules, the IMO must notify the entity that executed the Guarantee or Undertaking that Credit Support has been provided in accordance with clause 2.38 of the Market Rules.

2.7.6 In the case of a Security Deposit Deed, at the same time as the IMO issues confirmation to the Market Participant ~~or Network Operator~~ that the Security Deposit Deed meets the requirements of the Market Rules and this Market Procedure, the IMO must execute the completed Security Deposit Deed.

2.8 Procedure steps to be followed by the IMO to assess compliance under the Acceptable Credit Criteria rules and to establish the list of entities that meet the Acceptable Credit ~~Providers~~CriteriaCriteria

2.8.1 Within one Business Day of receiving an Acceptable Credit Criteria Form from a Market Participant ~~or Network Operator~~, the IMO must assess the compliance and completeness of the Acceptable Credit Criteria Form in accordance with this Market Procedure.

~~3.8.2 A completed Acceptable Credit Criteria Form is one that:~~

- ~~(a) has an affirmative response to each of the statements;~~
- ~~(b) has been completed with the full details of the entity to which it applies; and~~
- ~~(c) has been signed by a reputable firm of solicitors which is acceptable to the IMO.~~

- 2.8.2 The IMO may, in its absolute discretion, determine whether a firm of solicitors meets the requirements of step 2.3.5(c).
- 2.8.3 If the IMO receives a request to confirm whether a particular firm of solicitors meets the reputable firm of solicitors requirements under the Acceptable Credit Criteria, the IMO must notify the Market Participant on the Business Day following the Business Day on which the IMO received the request, whether that firm of solicitors meets the requirements of step 2.3.5(c).
- 2.8.4 If the IMO is satisfied that the Acceptable Credit Criteria Form has been submitted and completed in accordance with these Market Procedures, then the IMO must deem that the entity to which the Acceptable Credit Criteria Form applies meets the Acceptable Credit Criteria under clause 2.38.6 of the ~~Market Rules~~[Market Rules for a period of 12 months](#).
- 2.8.5 At any time after the IMO receives a completed Acceptable Credit Criteria Form, the IMO may request the Market Participant ~~or Network Operator~~ to provide documents to support the responses to the statements in the Acceptable Credit Criteria Form, and the Market Participant ~~or Network Operator~~ must provide all relevant documents within one Business Day or any other time agreed with the IMO.
- 2.8.6 Where the IMO deems an entity to meet the Acceptable Credit Criteria under step 2.8.4 the entity will be included on the list of entities that meet the Acceptable Credit Criteria available on the Market Web Site for a period of 12 months. [MR2.38.7]
- 2.8.7 The IMO must undertake monthly monitoring activities to determine whether the entities included on the list of entities that meet the Acceptable Credit Criteria continue to have appropriate credit ratings and may at any time remove an entity from the list. [MR2.38.8 & 2.38.9]
- 2.9 Procedure Steps for the holding of Security Deposits and Associated Costs**
- 2.9.1 The IMO invests any security deposit payments on behalf of the relevant Market Participant ~~or Network Operator~~. The IMO maintains individual trust accounts for security deposits separate from IMO operating funds.
- 2.9.2 Interest earned on the balance of the security deposit is credited to the relevant Market ~~Participant or Network Operator~~[Participant on](#) a monthly basis.
- 2.9.3 Any costs and fees associated with holding a security deposit is deducted from the balance of the security deposit as such costs and fees accrue on a pro rata basis.
- 2.10 Procedure Steps for the application of Monies Drawn Down**

2.10.1 The IMO may draw upon the Credit Support it holds the benefit of:

- (a) in relation to a Security Deposit, to apply it to satisfy amounts owing by the relevant Market Participant ~~or Network Operator~~; or
- (b) in relation to Guarantees and Bank Undertakings, to exercise the IMO's rights under the Credit Support, including by drawing or claiming an amount under it to satisfy amounts owing by the relevant Market Participant ~~or Network Operator~~.

2.10.2 Monies drawn from Credit Support may be applied in respect of the following:

- (a) in the event of a suspension event, as provided in clause 9.23.1 of the Market Rules, for the amount which the IMO determines is actually or contingently owing by the Market Participant ~~or Network Operator~~ to the IMO under the Market Rules **[MR 9.23.4]**;
- (b) in the event that a Market Participant ~~or Network Operator~~ fails to make a payment under the Market Rules to the IMO before it is due, for an amount to meet the payment **[MR 9.24.1]**; and
- (c) in the event that insolvency laws requires the IMO to pay or repay an amount paid by a Market Participant, for the amount of the required payment. **[MR 9.24.2]**

2.11 Procedure Steps for the Calculation of Trading Margins

2.11.1 A Market Participant's Trading Margin is the amount that its Trading Limit exceeds its Outstanding Amount.

2.11.2 The Trading Limit is 87 percent of the total amount of the Market Participant's Credit Support that can be drawn, claimed or applied. **[MR 2.39]**

2.11.3 The Outstanding Amount at any given time is the greater of zero or:

- (a) all amounts payable by the Market Participant under the Market Rules to the IMO; less
- (b) all amounts payable by the IMO under the Market Rules to the Market Participant. **[MR 2.40]**

In making this calculation, the IMO is to use actual amounts for which Settlement Statements have been issued and a reasonable estimation of any other amounts.

2.11.4 A daily Prudential Risk Indicator Report (titled PRM_Indicator) is published to Rule Participants in the WEMS.

2.11.5 A Market Participant may make voluntary payments to the IMO in consideration for reducing the Market Participant's outstandings below trading limits.

Submissions to the IMO in relation to contemplated transactions

2.11.6 A Market Participant must not make a submission to the IMO in relation to any transaction that could result in the Market Participant's Trading Margin being exceeded.

2.11.7 The IMO has the discretion to reject any submission from a Market Participant if, in the IMO's opinion, the transaction could result in the Market Participant's Trading Margin being exceeded.

2.11.8 For the purpose of determining if a transaction could result in the Market Participant's Trading Margin being exceeded, the transaction is to be valued according to the expected value guidelines outlined in step 2.12 of this procedure and contemplated by clause 2.37.9 of the Market Rules.

2.12 Procedure steps to be followed by the IMO and Market Participants when issuing a Margin Call Notice

The IMO's obligations

2.12.1 Any time a Market Participant's Trading Margin falls to zero or below, the IMO may, but is not required to, issue a Margin Call Notice. The Trading Margin falls below zero when a Market Participant's Outstanding Amounts exceeds the Market Participant's Trading Limit.

2.12.2 The Margin Call Notice is to specify a Margin Call amount and provide a deadline of one Business Day for the Market Participant to provide the Margin Call amount.

2.12.3 The Margin Call amount is a Market Participant's Outstanding Amount (see step 2.11.3) less the Market Participant's Typical Accrual.

2.12.4 The Typical Accrual, at any time, is what the IMO determines would have been a Market Participant's Outstanding Amount, at that time, if the following were to apply:

- (a) The prices and quantities applying to amounts payable by the Market Participant equalled the average prices and quantities as applied to the Market Participant's current Credit Limit.

- 2.12.5 The IMO may, but is not required to, cancel a Margin Call Notice at any time. The IMO reserves the right to issue a further Margin Call Notice for the same reasons that gave rise to the cancelled Notice.
- 2.12.6 The IMO is required to review the Credit Limit of a Market Participant in the event the IMO issues a Margin Call Notice. The Credit Limit must be adjusted in line with the amount of the Margin Call.

Market Participants Obligations

- 2.12.7 A Market Participant is required to respond to a Margin Call Notice by 11.00 am the following Business Day.
- 2.12.8 In accordance with Market Rule 2.42.4, a Market Participant must respond to a Margin Call Notice by either:
- (a) providing a Security Deposit, in cleared funds, to the IMO in the amount of the Margin Call. The security deposit can be made by, or on behalf of, the Market Participant; or
 - (b) providing additional Credit Support in the amount of the Margin Call.

2.13 Procedure steps for Default events

- 2.13.1 Failure to comply with a Margin Call Notice within the specified timeline gives rise to a suspension event for the Market Participant, in accordance with the default provisions in clause 9.23 of the Market Rules. Other events that will trigger the issue of a Cure Notice are listed in clause 9.23.1 of the Market Rules.
- 2.13.2 The IMO, as soon as practicable, may issue a Cure Notice requiring rectification within a 24 hours of the Cure Notice being issued. In addition, if applicable to the event causing the default situation, the IMO will draw on the Market Participant's Credit Support, if it has not already done so already. (Market Rule 9.23.4)
- 2.13.3 The IMO may extend the deadline for rectification, but this is restricted to a maximum of five days for breaching a Prudential Requirement. To provide an extension, the IMO must consider that:
- (a) the Market Participant is able to fully comply with the Cure Notice before the end of the extended deadline; and
 - (b) the Market Participant was not capable of doing so within the 24 hour timeframe following the issuance of the Cure Notice.
- 2.13.4 In the event that a Market Participant fails to comply with a Cure Notice, whether within the original or extended deadline, the IMO has the power to issue a

Suspension Order. (Market Rule 9.23.7) Clause 2.32 of the Market Rules, in relation to Suspension and Deregistration, begins to apply. It provides that:

- (a) the IMO must issue a Suspension Notice to the Market Participant, and provide copies to all Rule Participants;
- (b) the Suspension Notice may contain directions to be complied with by the Market Participant to give effect to the Suspension Notice;
- (c) the Market Participant is required to comply with the Suspension Notice, including:
 - (i) only trading to the extent specified in the Suspension Notice, including ceasing trade if so provided; and
 - (ii) continue meeting any existing Reserve Capacity Obligations specified in the Suspension Notice;
- (d) the IMO has the power to do any, or all, of the following:
 - (i) cancel or reject any Submissions from, or on behalf of, the Market Participant;
 - (ii) withhold payments owed to the Market Participant.

2.13.5 In addition, the IMO is able to require a Network Operator to disconnect one or more Facilities to give effect to the Suspension Notice. It should be noted, however, that this does not take into account the Retailer of Last Resort scheme, which will operate separately.

2.13.6 If the Market Participant remedies its breach the IMO will withdraw a Suspension Notice and inform all Rule Participants of the withdrawal.

2.13.7 Where a Market Participant has been suspended for 90 days the IMO may apply to the Energy Review Board for de-registration.

2.14 Procedure Steps for amendments to Proforma Documents

2.14.1 The IMO may, in its absolute discretion, from time to time approve and make available on the Market Web Site:

- (a) updates and amendments to the any forms set out in this procedure to be made available on the IMO website; or
- (b) additional documents in connection with this Market Procedure; or
- (c) both of the above.

2.14.2 If the IMO updates and amends a document or approves an additional document prior to a Market Participant's provision of Credit Support under this procedure, the updated or amended document or additional document will apply to the IMO's consideration of the compliance of the Credit Support.

2.14.3 An update or amendment to a document does not affect the status or terms of existing Credit Support arrangements.

2.14.4 The IMO must notify relevant Market Participants when it approves updates or amendments to documents or approves an additional document under this Procedure.

Agenda Item 4: Market Procedure for Undertaking the LT PASA and Conducting a Review of the Planning Criterion and Forecasting Processes

1. BACKGROUND

The Market Procedure for undertaking the LT PASA and Conducting a Review of the Planning Criterion and Forecasting Processes (Market Procedure) describes the steps that the IMO is required to undertake in preparing the LT PASA and the reviews under clause 4.5.15 of the Market Rules.

2. UPDATES TO THE MARKET PROCEDURE

The Market Procedure has been updated to:

- Reflect the IMO's new format arising from its Market Procedures project;
- Include some minor and typographical amendments to improve the integrity of the Market Procedure, including re-ordering some sections;
- Include both reviews required under clause 4.5.15 of the Market Rules (Planning Criterion and forecasting processes); and
- Remove the direct duplications of the Market Rules to provide a more concise Market Procedure.

3. RECOMMENDATIONS

The IMO recommends that the IMO Procedure Change and Development Working Group (Working Group):

- **Discuss** the amendments to the for undertaking the LT PASA and conducting a review of the Planning Criterion; and
 - **Note** that the IMO will formally submit these changes into the Procedure Change Process, subject to any comments from the Working Group.
-



RESERVE CAPACITY PROCEDURE:

Undertaking the LT PASA and Conducting a Review of the
Planning Criterion and Forecasting Processes VERSION 2

ELECTRICITY INDUSTRY ACT 2004

ELECTRICITY INDUSTRY (WHOLESALE ELECTRICITY MARKET) REGULATIONS 2004

WHOLESALE ELECTRICITY MARKET RULES

COMMENCEMENT:

This Market Procedure took effect from 8:00am (WST) on 1 June 2010.

VERSION HISTORY

VERSION	EFFECTIVE DATE	NOTES
1	1 June 2010	New Market Procedure for undertaking the Long Term PASA and conducting a review of the Planning Criterion resulting from PC_2009_11
2	Xx xxx 2011	Amendments to Market Procedure resulting from PC_2011_xx

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1 PROCEDURE OVERVIEW

1.1 Relationship with the Market Rules

1.1.1 This Market Procedure for undertaking the Long Term Projected Assessment of Supply Adequacy (LT PASA) and conducting a review of the Planning Criterion (Procedure) should be read in conjunction with clause 4.5.14 of the Wholesale Electricity Market (WEM) Rules (Market Rules).

1.1.2 References to particular Market Rules within the Procedure in bold and square brackets **[MR XX]** are current as of 1 January 2011. These references are included for convenience only, and are not part of this Procedure.

1.2 Purpose

1.2.1 The purpose of this procedure is:

- a) to describe the steps that the IMO is required to undertake in preparing the LT PASA, ~~SOO~~ and the reviews s under clause 4.5.15 of the Market Rules; and
- b) to describe the steps that Rule Participants, ~~and other parties,~~ must follow in providing information to the IMO to assist in preparation of the LT PASA, ~~SOO~~ and reviews under clause 4.5.15 of the Market Rules **[MR 4.5.14]**.

1.3 Application

1.3.1 This procedure applies to:

- a) The IMO in preparing the LT PASA and undertaking reviews under clause 4.5.15 of the Market Rules; and
- a)b) Rule Participants in providing information to the IMO **[MR 4.5.14]**.
- b) ~~Other entities in providing information to the IMO;~~
- c) ~~The IMO in undertaking any review of the Planning Criterion;~~
- d) ~~Any third party contracted by the IMO to undertake any part of a review of the Planning Criterion; and~~
- e) ~~Stakeholders that may be part of the consultation process for reviewing the Planning Criterion and the process by which the IMO forecasts SWIS peak demand.~~

1.4 Associated Market Procedures and Market Documents

1.4.1 There are no Market Procedures directly associated with this Procedure.

1.5 Interpretation

1.5.1 In this Procedure the conventions specified in clauses 1.3- 1.5 of the Market Rules apply.

2 PROCEDURE STEPS - UNDERTAKING THE LT PASA

2.1 Gathering data from Market Generators

2.1.1 By 1 April of each year, the IMO must notify Market Generators of the information it requires, and the format to be used when providing that it requires information, ~~from them~~ in the following areas [MR4.5.3]:

- a) generation capacity expected to be available during the forecast period, including details on seasonal capacities;
- b) Ancillary Service capabilities of each available Facility;
- c) long duration outages planned over the forecast period; and
- d) for Non-Scheduled Generation Facilities that have not been in operation for one year, production profiles.

2.2 Gathering data from Market Customers

2.2.1 By 1 April of each year, the IMO must notify Market Customers of the information that it requires, and the format to be used when providing information, ~~from them~~ in the following areas:

- a) expected DSM capabilities and expected MW reduction in peak consumption implemented by retailers to reduce their Individual Reserve Capacity Requirements under clause 4.28.8 (c);
- b) the capacity of any large loads (>10MW or larger) that will be added to, or removed from, the system.
- c) for Intermittent Loads and Loads that are expected to be registered and operating as Intermittent Loads during the second Capacity Year commencing during the LT PASA Study horizon: the information required under clause 4.5.3A of the Market Rules.

- ~~(i) the amount of capacity required to serve that Load in the event of a failure of on-site generation where this amount of capacity cannot exceed the greater of:~~
- ~~1. either:~~
 - ~~• for an existing Intermittent Load, the maximum allowed level of Intermittent Load specified in Standing Data for that Intermittent Load at the time of providing the data; or~~
 - ~~• for an Intermittent Load that is yet to be registered with the IMO, zero; and~~
 - ~~2. the Contractual Maximum Demand associated with that Intermittent Load to apply during the Capacity Year to which the nomination relates. The Market Customer must provide evidence to the IMO of this Contractual Maximum Demand level unless the IMO has previously been provided with that evidence.~~
- ~~d) For each Intermittent Load that is yet to be registered with the IMO:~~
- ~~(i) the location of the Load and the NMI of that load if available;~~
 - ~~(ii) evidence that the Load can be expected to satisfy the requirements to be registered as an Intermittent Load during the second Capacity Year within the Long Term PASA Study Horizon; and~~
 - ~~(iii) The expected firm MW capacity and location of any generation system to serve that Intermittent Load in accordance with clause 2.30B.2 (a) **[MR 4.5.3A]**.~~

2.3 Gathering data from Network Operators

2.3.1 By 1 April of each year, the IMO must notify Network Operators of the information that it requires, and the format to be used when providing information, ~~from them~~ in the following areas **[MR 4.5.3]**:

- a) expected transmission network capabilities allowing for expansion plans, losses and constraints or restrictions **[MR4.5.2(d)]**;
- b) any potential transmission capacity constraints or restrictions in sub-regions of the SWIS **[MR 4.5.10.(c)]**; and
- c) potential transmission, generation or DSM capacity augmentation options that may alleviate shortfalls identified above; and.

~~d) the expected amount of capacity required to maintain normal frequency control over the LTPASA Horizon.~~

2.4 Gathering data from System Management

2.4.1 To allow for the determination of the Reserve Capacity Target for each Reserve Capacity Year in the LT PASA Study Horizon, the IMO must notify System Management of the information that it requires, and the format to be used when providing that information, regarding:

a) the expected amount of capacity required to maintain normal frequency control over the LT PASA Study Horizon.

2.5 Gathering data from non Rule Participants

2.5.1 The IMO may identify and request information from persons who are not Rule Participants but who may have information in respect to the areas described under clause 4.5.2 of the Market Rules ~~in respect of each year of the Long Term PASA Study Horizon~~ **[MR4.5.5]**.

2.5.2 ~~The i~~ information and data requested by the IMO may change from time to time but must be for the purposes of the requirements of this Procedure and the Market Rules.

~~2.5.3 The IMO must provide any such request for information in writing.~~

2.6 Procedure to be followed ~~by Rule Participants in providing data~~ following requests for data

2.6.1 Rule Participants must provide the data requested (in accordance with steps 2.1 – 2.4 of this Procedure) by the IMO within 15 Business Days from the date of that request **[MR4.5.4]**.

2.6.2 Following review, ~~t~~he IMO may seek clarification of any and all data or information ~~that is provided in accordance with the Market Rules or this Procedure~~ and the Rule Participant must provide any clarifications as necessary **[MR4.5.6]**.

2.6.3 The IMO must treat all information provided to it as confidential except where the provider has granted permission for its release or as otherwise provided under the Market Rules. The IMO may release any such information as part of an unidentifiable component of an aggregate number in a Statement of Opportunities Report **[MR4.5.7]**.

- 2.6.4 Where any information provided to the IMO, in accordance with this Procedure, is insufficient the IMO may make its own estimate and use that estimate [MR4.5.8].
- 2.6.5 The IMO must use the information assembled for the preparation of forecasts and its assessment of reliability in accordance with clause 4.5.10 of the Market Rules [MR4.5.10].
- 2.6.6 The IMO must develop an Availability Curve as outlined in clause 4.5.12 of the Market Rules [MR 4.5.12].
- 2.6.7 The IMO must publish the Statement of Opportunities Report for a Reserve Capacity Cycle by the date specified in clause 4.1.8 of the Market Rules [MR4.5.11]. This report must include the information outlined in clause 4.5.13 of the Market Rules [MR4.5.13].

2.7 IMO review of data

- ~~2.7.1 The IMO must review the information provided to it in accordance with this Procedure and where necessary, seek clarifications [MR4.5.6].~~
- ~~2.7.2 The IMO must treat all information provided to it in accordance with this Procedure as confidential except where the provider has granted permission for its release or as otherwise provided under these Market Rules. However, the IMO may release any such information as part of an unidentifiable component of an aggregate number in a Statement of Opportunities Report [MR4.5.7].~~
- ~~2.7.3 The IMO may seek clarification of any and all data or information that is provided in accordance with the Market Rules or this Procedure.~~
- ~~2.7.4 Where any information provided to the IMO in accordance with this Procedure is insufficient for the purpose for which it is required, the IMO may make its own estimate and use that estimate in place of information provided in accordance with this Procedure [MR4.5.8].~~

2.8 IMO preparation of forecasts

- ~~2.8.1 The IMO is to prepare forecasts of the expected rate of economic growth as well as high and low economic growth forecasts.~~
- ~~2.8.2 The IMO is to prepare the following forecasts of maximum electricity demand:~~
- ~~a) median peak demand assuming low demand growth;~~
 - ~~b) one in ten year peak demand assuming low demand growth;~~

- ~~c) — median peak demand assuming expected demand growth;~~
- ~~d) — one in ten year peak demand assuming expected demand growth;~~
- ~~e) — median peak demand assuming high demand growth; and~~
- ~~f) — one in ten year peak demand assuming high demand growth.~~

~~Where the low, expected and high demand growth cases reflect demand changes stemming from the low, expected and high economic growth rates, with these being temperature adjusted to produce the one in ten year peak demand cases [MR4.5.10.(a)].~~

~~2.8.3 The IMO must prepare forecasts of energy sent out based on each of the expected, high and low economic growth rates.~~

~~2.8.4 In respect of procedure steps 2.7.2 and 2.7.3, the IMO may use any other conditions the IMO deems necessary for the efficient forecasting of electricity maximum demand and energy sent out. This may include, but not be limited to:~~

- ~~a) — air conditioning penetration and saturation rates;~~
- ~~b) — forecasts of building approvals, new home starts etc; and~~
- ~~c) — any other information, data, condition or constraint deemed necessary or appropriate in order to produce forecasts in line with industry best practices.~~

~~2.8.5 The IMO must determine an estimate of the Reserve Capacity required to cover the forecast cumulative needs of Intermittent Loads such that:~~

- ~~a) — this Reserve Capacity estimate is in addition to the Reserve Capacity required to satisfy the Planning Criterion in the situation where there were no Intermittent Loads; and~~
- ~~b) — this Reserve Capacity estimate must be set by the IMO to equal the sum over all expected Intermittent Loads of their forecast maximum possible Intermittent Load levels multiplied by:~~

~~(i) — the ratio of:~~

- ~~• The Reserve Capacity Target for the relevant Capacity Year as described in clause 4.5.10(b)(i); and~~

- ~~The expected peak demand for the relevant Capacity Year as described in clause 4.5.10(b)(ii).~~

~~(ii) Minus one [MR4.5.2A].~~

~~2.9 IMO assessment of reliability~~

~~2.9.1 The IMO must determine the Reserve Capacity Target, which is the capacity required to meet the Planning Criterion assuming a one in ten year peak demand and expected demand growth.~~

~~2.9.2 The Planning Criterion to be used by the IMO in undertaking the LT-PASA study is set out in the Market Rules [MR4.5.9].~~

~~2.9.3 The Planning Criterion is that there should be sufficient available capacity in each Capacity Year during the Long Term PASA Planning Horizon to both:~~

~~a) meet the forecast peak demand (including transmission losses and allowing for Intermittent Loads) supplied through the SWIS plus a reserve margin equal to the greater of:~~

- ~~8.2% of the forecast peak demand (including transmission losses and allowing for Intermittent Loads); and~~
- ~~The maximum capacity, measured at 41°, of the largest generating unit.~~

~~While maintaining the Minimum Frequency Keeping Capacity for normal frequency control. The forecast peak demand should be calculated to a probability level that the forecast would not be expected to be exceeded in more than one year out of ten; and~~

~~b) limit expected energy shortfalls to 0.002% of annual energy consumption (including transmission losses) [MR4.5.9].~~

~~2.9.4 The IMO is to assess the extent to which the anticipated installed generation capacity and DSM capacity is capable of satisfying the Planning Criterion and identify any capacity shortfalls in each Relevant Year in the LT-PASA Study Horizon for each of the forecast demand scenarios in step 2.6.2 [MR 4.5.10.(a)].~~

~~2.9.5 The IMO must:~~

~~a) Identify and assess any potential capacity shortfalls isolated to a sub-region of the SWIS resulting from expected restrictions on transmission capability or other factors [MR4.5.10.(c)]; and~~

- ~~b) Identify any potential transmission, generation or demand side capacity augmentation options to alleviate identified capacity shortfalls [MR 4.5.10.(d)].~~

~~2.10 IMO development of the Availability Curve~~

~~2.10.1 The IMO is to determine the forecast capacity, in MW, required for more than 24 hours per year, 48 hours per year, 72 hours per year and 96 hours per year [MR 4.5.12.(a)].~~

~~2.10.2 The IMO is to determine the minimum capacity required to be provided by generation capacity if Power System Security and Power System Reliability is to be maintained. This minimum capacity is to be set at a level such that if:~~

- ~~a) all DSM capacity (excluding Interruptible Load used to provide Spinning Reserve to the extent that it is anticipated to provide Certified Reserve Capacity), were activated during the Capacity Year so as to minimise the peak demand during that year; and~~
- ~~b) the Planning Criterion and the criteria for evaluating Outage Plans set out in clause 3.18.11 of the Market Rules were to be applied to the load scenario defined above, then~~

~~it would be possible to satisfy the Planning Criterion and the criteria for evaluating Outage Plans set out in clause 3.18.11 of the Market Rules, as applied in step 2.9.2(b) using, to the extent that the capacity is anticipated to provide Certified Reserve Capacity, the anticipated installed generating capacity, the anticipated Interruptible Load capacity available as Spinning Reserve and, to the extent that further generation capacity would be required, an appropriate mix to generation capacity to make up that shortfall [MR4.5.12(b)].~~

~~2.10.3 The IMO is to determine the extent that further generation capacity would be required to meet any shortfall identified in procedure step 2.9.2 and determine an appropriate mix of generation capacity to make up that shortfall, where the mix of generation refers to the amount in each availability class.~~

~~2.10.4 The IMO is to develop a two dimensional curve ("**Availability Curve**") for each of the 2nd and 3rd Capacity Years of the Long Term PASA Study Horizon where:~~

- ~~a) The capacity quantity associated with Availability Class 4 is the Reserve Capacity Target for the Capacity Year less the greater of the quantity specified under procedure step 2.9.1 and the quantity specified under procedure step 2.9.2 as being required for more than 48 hours per year;~~
- ~~b) The capacity quantity associated with Availability Class 3 is:~~

- ~~(i) — The Reserve Capacity Target for the Capacity Year less the greater of the quantity specified under procedure step 2.9.2 and the quantity specified under procedure step 2.9.1 as being required for more than 72 hours per year; less~~
- ~~(ii) — The capacity quantity associated with Availability Class 4.~~
- ~~c) — The capacity quantity associated with Availability Class 2 is:~~
 - ~~(i) — The Reserve Capacity Target for the Capacity Year less the greater of the quantity specified under procedure step 2.9.2 and the quantity specified under procedure step 2.9.1 as being required for more than 96 hours per year; less~~
 - ~~(ii) — The total capacity quantity associated with Availability Class 3 or Availability Class 4.~~
- ~~d) — The capacity quantity associated with Availability Class 1 is:~~
 - ~~(i) — The Reserve Capacity Target for the Capacity Year; less~~
 - ~~(ii) — The total capacity quantity associated with Availability Class 2, Availability Class 3 or Availability Class 4 [MR2.5.12(c)].~~

~~2.11 — IMO publication of the LT PASA~~

~~2.11.1 The IMO must publish the Statement of Opportunities Report for a Reserve Capacity Cycle by the first business day on or before 1 July of Year 1 of the relevant Reserve Capacity Cycle [MR4.5.11 & MR 4.1.8].~~

~~2.11.2 The Statement of Opportunities Report must include :~~

- ~~a) — the input information assembled by the IMO in performing the Long Term PASA study including, for each Capacity Year of the Long Term PASA Study Horizon:~~
 - ~~(i) — The demand growth scenarios used;~~
 - ~~(ii) — The generation capacities of each generation Registered Facility;~~
 - ~~(iii) — The generation capacities of each committed generation project;~~
 - ~~(iv) — The generation capacities of each “probable” generation project;~~
 - ~~(v) — The Demand Side Management capability and availability;~~

- ~~(vA) — The amount of Reserve Capacity forecast to be required to serve the aggregate Intermittent Load;~~
- ~~(vi) — A summary of the methodology used in determining the values and assumptions specified in (i) to (vi), including methodological changes relative to previous Statement of Opportunities Reports;~~
- ~~b) — The Reserve Capacity Target for each Capacity Year of the Long Term PASA Study Horizon;~~
- ~~c) — The amount by which the installed generation capacity plus the DSM available exceeds or falls short of the Reserve Capacity Target for each Capacity Year and each demand growth scenario considered in the study;~~
- ~~d) — The extent to which localised supply restrictions will exist while satisfying the Reserve Capacity Target for each Capacity Year and each demand growth scenario considered in the study;~~
- ~~e) — A statement of potential generation, demand side and transmission options that would alleviate capacity shortfalls relative to the Reserve Capacity Target and to capacity requirements in sub-regions of the SWIS; and~~
- ~~f) — The Availability Curve for the 2nd and 3rd Capacity Years of the Long Term PASA Study Horizon [MR4.5.13].~~

~~2.11.3 For the purposes of procedure step 2.10.2(a)(iii) the term committed refers to Facilities that are yet to enter service, but have already received Capacity Credits in respect of a previous Reserve Capacity Cycle.~~

~~2.11.4 For the purposes of procedure step 2.10.2(a)(iv) the term “probable” refers to Facilities have not already received Capacity Credits in respect of a previous Reserve Capacity Cycle, but have been granted Certified Reserve Capacity in respect of the current Reserve Capacity Cycle.~~

3 PROCEDURE STEPS - CONDUCTING A REVIEW OF THE PLANNING CRITERION AND FORECASTING PROCESSES

3.1 Determination of whether a review should be undertaken

- ~~3.1.1 If more than four years has elapsed The IMO must review the time since the last review of the Planning Criterion and forecasting processes was undertaken completed and, subject to procedure step 3.1.2, if this is greater than four years the IMO must initiate a review under clause 4.5.15 of the Market Rules [MR4.5.15].~~

3.1.2 The IMO must determine whether significant changes have occurred which may have significantly ~~impacted~~ affected on the current ~~reliability-Planning~~ €Criterion. These may include:

- a) Changes to the types or sizes of generating plant on the system; and
- b) Changes to the growth patterns or characteristics of electricity demand.

3.1.3 If significant changes have occurred the IMO must initiate a review of the Planning Criterion and forecasting processes under clause 4.5.15 of the Market Rules.

3.2 ~~Initiation of~~ Rule Participant ~~Support~~support

3.2.1 The IMO may invite a number of stakeholders to participate ~~within an~~ Working Group made up of representatives including, but not limited to:

- a) the IMO;
- b) Market Generators;
- c) Market Customers;
- d) System Management; and
- e) major electricity users.

~~3.2.2 The Working Group should contain representatives of:~~

- ~~a) The IMO;~~
- ~~b) Market Generators;~~
- ~~c) Market Customers;~~
- ~~d) System Management; and~~
- ~~e) Major electricity users.~~

~~3.2.3 The IMO is to publish a Request for Public Submissions to invite persons to provide input to the review [MR4.5.16].~~

~~3.2.4 Persons are to be invited to comment on:~~

- ~~a) The performance and suitability of the Planning Criterion;~~

~~b) The process by which the IMO forecasts SWIS peak demand; and~~

~~c) Any other relevant matters.~~

~~3.2.5 The Request for Submissions is to be published on the IMO website and in the local press.~~

~~3.2.6 All submissions are to be published on the IMO website.~~

3.3 IMO preparation for Reviewreview

3.3.1 The IMO ~~may, with input from the Working Group,~~must develop Terms of Reference for the review. In doing so it may take into account any comments made by the Working Group set up under this Procedure.

3.3.2 The IMO must determine whether it will undertake the review with internal resources or utilise independent consultants.

3.3.3 If the review is to be undertaken by a consultant, the IMO ~~is to~~must seek proposals from a number of appropriately qualified persons or entities.

3.3.4 ~~If required, the appointment of any consultant must be undertaken in accordance with any IMO Contracting Policy and is to be based on securing the best value for money for the IMO. Where the IMO appoints a consultant the appointment process must comply with any IMO contracting policy.~~

3.4 IMO review and preparation of Draft Report(s)

~~3.4.1 The IMO or its consultant must undertake a technical analysis including [MR 4.5.15.(a)]:~~

~~a) Reviewing the reliability criterion performance in the context of present and potential future load characteristics;~~

~~b) Reviewing the criterion performance with current and potential future generation and DSM characteristics; and~~

~~c) Reviewing the alternative criterion to better the Market Objectives.~~

~~3.4.2 The IMO with the assistance of any consultant it uses must undertake a cost benefit study of retaining existing criterion versus changing to an alternative criterion including [MR4.5.15.(b)]:~~

~~a) Estimating the costs associated with changing the criteria;~~

- ~~b) Estimating the impact of changes;~~
- ~~c) Estimating the value to customers of any proposed changes; and~~
- ~~d) A qualitative assessment of the impact of the alternative criterion on achieving the Market Objectives.~~

~~3.4.1 Where the IMO undertakes a review of under clause 4.5.15 of the Market Rules, that review must include:~~

- ~~a) a review of the technical analysis;~~
- ~~b) a cost-benefit study on the effects on stakeholders of a variety of levels of generation adequacy;~~
- ~~c) a review the reliability criterion used in other relevant jurisdictions; and~~
- ~~d) an assessment of any proposed changes against the Wholesale Market Objectives.~~

~~3.4.2 Following the IMO's review under step 3.4.1, the IMO must prepare a draft report(s) to be made available to Rule Participants for submissions [MR 4.5.17].~~

~~3.4.3 The IMO with the assistance of any consultant it uses must review the reliability criterion used in other relevant systems.~~

~~3.4.3 Where the IMO makes a Draft Report(s) available under step 3.4.2 it must do so by publishing the Draft Report on the IMO website.~~

~~3.4.4 The IMO must publish a Draft Report on the IMO website and invite submissions from all Rule Participants [MR4.5.17]. In inviting submissions, the IMO must specify the terms, conditions and format required. The IMO must advise all Rule Participants that the Draft Report has been published.~~

~~3.5 IMO publication of Final Report~~

~~3.5.1 The IMO, in consultation with the Working Group, must collate and review all submissions received on the Draft Report [MR 4.5.18].~~

~~3.5.2 The IMO, in consultation with the Working Group, must prepare a Final Report recommending either the retention of the exiting criterion or the proposal of a new set of criteria. The Final Report must include:~~

- ~~a) All issues identified by the IMO;~~
- ~~b) Assumptions made by the IMO in undertaking the review;~~
- ~~c) Submissions received by the IMO in the first round of consultations;~~
- ~~d) The IMO's responses to issues raised in those submissions;~~
- ~~e) The results of the technical and cost-benefit studies;~~
- ~~f) Submissions received by the IMO on the draft report;~~
- ~~g) The IMO's responses to submissions on the Draft Report; and~~
- ~~h) Any recommended changes to the Planning Criterion [MR4.5.18].~~

~~3.5.3 The IMO must include a set of draft changes to the Market Rules and Market Procedures required to implement any recommended changes to the reliability criterion in the Final Report.~~

~~3.5.4 The Final Report is to include recommended changes, if any, to the processes used by the IMO in developing its electricity maximum demand and usage forecasts [MR4.5.19].~~

3.5 IMO seeks submission on Draft Report(s)

3.5.1 When the IMO invites submissions from Rule Participants under clause 4.5.16 of the Market Rules:

- ~~a) it must advise all Rule Participants that the Draft Report has been published;~~
- ~~b) it must publish the invitation on the IMO website; and~~
- ~~c) it must allow at least 20 Business Days for Rule Participants to provide submissions.~~

3.6 IMO publication of Final Report(s)

3.6.1 The IMO, in consultation with the Working Group, must collate and review all submissions received on the Draft Report (s) [MR 4.5.18].

3.6.2 The IMO, in consultation with the Working Group, must prepare a Final Report(s) recommending either the retention of the existing Planning Criterion or the proposal of a new set of criteria.

- 3.6.3 Where the IMO's Final Report(s) recommends a Rule Change Proposal or a Procedure Change Proposal to amend the Planning Criterion, it must include in the Final Report a set of draft changes to the Market Rules or Market Procedures (whichever applies) to implement the proposed amendments.
- 3.6.4 Where the IMO finds that a change to the processes by which it forecasts SWIS peak demand would be beneficial in light of the Wholesale Market Procedures, it must make either a Rule Change Proposal and/or a Procedure Change Proposal to implement the change [MR 4.5.19].

Agenda Item 7: Market Procedure for Procurement of Network Control Services

1. BACKGROUND

The IMO recently published its Draft Rule Change Report for the Rule Change Proposal: Removal of Network Control Services expression of interest and tender process from the Market Rules (RC_2010_11).

This Rule Change Proposal seeks the removal of tender process for acquiring Network Control Services (NCS) from the Market Rules. Specifically this proposal:

- removes the NCS expression of interest, tender and contracting processes from the Market Rules to allow a Network Operator to undertake these processes under the regulatory oversight of the Economic Regulation Authority; and
- removes any potential cross subsidies from NCS energy payments associated with System Management issuing instructions under a NCS to either a generation or Demand Side Management Facility.

A copy of the IMO's report is available on the following webpage: http://www.imowa.com.au/RC_2010_11.

The Market Procedure: Procurement of Network Control Service (Market Procedure) is required under clause 5.3.9 of the Market Rules. This Market Procedure outlines the process that is to be followed in relation to the application for NCS Certification and in carrying out the tender process.

2. UPDATES TO THE MARKET PROCEDURE

As a consequence of RC_2010_11 (which removes the heads of power for the Market Procedure) the IMO proposes to revoke the Market Procedure in its entirety. This is because the process will no longer be an IMO responsibility (as this is being transferred to the Network Operator) and the Market Procedure will therefore become redundant.

The IMO will formally submit a Procedure Change Proposal noting its intention to revoke this Market Procedure in its entirety. It is anticipated that this Procedure Change will commence simultaneously with RC_2010_11.

3. RECOMMENDATIONS

The IMO recommends that the IMO Procedure Change and Development Working Group:

- **Note** that the IMO will formally submit a Procedure Change Proposal noting its intention to revoke this Market Procedure in its entirety.
-

ELECTRICITY INDUSTRY ACT 2004

ELECTRICITY INDUSTRY (WHOLESALE ELECTRICITY
MARKET) REGULATIONS 2004

WHOLESALE ELECTRICITY MARKET RULES

Market Procedure: Procurement of Network Control Service

Version 2

Commencement: This Market Procedure is to have effect from 8:00am (WST) on the same date as the Wholesale Electricity Market Rule, in which this procedure is made in accordance with, commences.

Version history

12 September 2006	Market Procedure for Procurement of Network Control Service as at Market Start
17 October 2008	IMO amended changes to the procedure resulting from PC_2008_11

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1. Procurement of Network Control Service Procedure

The Procurement of Network Control Service Procedure covers the procedures to be followed in relation to applications for Network Control Service Certification and in carrying out the Network Control Service Tender process. The procedure also outlines the contract conditions that must be contained in a Network Control Service Contract.

This procedure is made in accordance with Market Rules 5.3.9, 5.4.14 and 5.5.3.

1.1. Interpretation

In this procedure, unless the contrary intention is expressed:

- (a) terms used in this procedure have the same meaning as those given in the Wholesale Electricity Market Rules (made pursuant to the Electricity Industry (Wholesale Electricity Market) Regulations 2004);
- (b) to the extent that this procedure is contrary or inconsistent with the Market Rules, the Market Rules shall prevail to the extent of the inconsistency;
- (c) a reference to the Market Rules or Market Procedures includes any associated forms required or contemplated by the Market Rules or Market Procedures; and
- (d) words expressed in the singular include the plural or vice versa.

1.2. Overview of Network Control Service

Network Control Services are services provided by generation and/or Demand Side Management that can be substituted for an upgrade to the transmission or distribution network.

Under the Access Code, Network Operators must notify the IMO where there is an opportunity for distributed generation or Demand Side Management to compete with a transmission or distribution system upgrade. (Market Rule 5.2.1)

The IMO is required to run an expression of interest process to determine whether any parties other than the Network Operator can provide the services. (Market Rule 5.2.3) Where sufficient interest is shown, the IMO will announce a tender for the required Network Control Service. (Market Rule 5.2.7)

Prospective generators and Demand Side Management providers are not required to be Market Participants to submit expressions of interest, but are required to be registered, in accordance with the Market Rules, to participate in the tender process. (Market Rule 5.3.1)

The IMO will publish on its website (www.imowa.com.au) the details of the tender process and the timelines for:

- (a) Network Control Service Certification;
- (b) publication of the invitation to tender;
- (c) deadline for submission of tenders; and
- (d) date the IMO will announce results of tender process. (Market Rule 5.4.1)

The first step for a Market Participant seeking to submit a tender is to apply to the IMO for Network Control Service Certification of the level of the required Network Control Service that can be provided by the Market Participant's Facility or Facilities. (Market Rule 5.3.2) Section 2 of this procedure outlines the steps to be followed to apply for Network Control Service Certification and the steps the IMO will follow in processing applications for Network Control Service Certification.

The IMO will release an invitation to tender for the acquisition of the Network Control Service, which will adhere to the requirements of Market Rule 5.4.4. (Market Rule 5.4.3) Market Participants who have received Certification, and the Network Operator, are able to submit tender offers to supply all or part of the Network Control Service requirement. (Market Rule 5.4.5) Section 3 of this procedure outlines the steps to be followed by Market Participants and the Network Operator in submitting a written tender. It also outlines the process the IMO will follow in carrying out the Network Control Service Tender process.

The IMO will select tender responses to achieve the lowest total cost while covering the Network Control Service requirement. (Market Rule 5.4.8) However, the IMO is not under any obligation to accept any tender made in response to its invitation to tender. (Market Rule 5.4.9) If a network upgrade is the less expensive option, the IMO will not accept any of the generation or Demand Side Management tender responses.

Where the IMO selects a tender response from a Market Participant other than the Network Operator, the IMO and the Market Participant must enter into a Network Control Service Contract. (Market Rule 5.4.11) The IMO may accept more than one tender response. A Network Control Service Contract must be entered into between the IMO and each Market Participant for which a tender response was selected. Section 4 of this Procedure outlines the requirements for Network Control Service Contracts.

2. Network Control Service Certification

2.1. Procedure steps to be followed by an applicant applying for Network Control Service Certification

Applications must be submitted for Network Control Service Certification for each Network Control Service Tender process. The Network Control Service Certification for any Tender expires at the completion of that tender process. Where a tender response by a generator or Demand Side Management provider is accepted by the IMO, the generator or Demand Side Management provider, as the case may be, will be required to apply for Certified Reserve Capacity in respect of each of the Facilities set out in the selected tender response.

The following steps apply to applicants for Network Control Service Certification:

- 1 Before submitting an application for Network Control Service Certification, Market Participants should familiarise themselves with the relevant Market Rules and the related Network Control Service procedures, including but not limited to the requirement that an applicant must be a registered Market Participant. (Market Rule 5.3.1)
- 2 Market Participants wishing to submit a tender must secure Network Control Service Certification by the date published by the IMO on its website (www.imowa.com.au) for securing Network Control Service Certification. (Market Rule 5.4.2) To ensure that Network Control Service Certification is secured by the published date, Market Participants will need to allow at least 10 Business Days for the IMO to process a completed application.
- 3 The IMO will make available on its website (www.imowa.com.au) a form to be used by Market Participants making an application for Network Control Service Certification in accordance with this procedure (see Appendix A for information to be included in an Application for Network Control Service Certification).
- 4 The application made by a Market Participant for Network Control Service Certification must be submitted to the IMO by mail or by email to the address provided by the IMO in its details of the tender process published on the IMO website (www.imowa.com.au).
- 5 A Market Participant must contact the IMO and may be required to resubmit an application for Network Control Service Certification in the event that an application has been made to the IMO, but the receipt of the application has not been acknowledged by the IMO within one Business Day of the submission. The resubmission of an application for Network Control Service Certification must allow sufficient time for the IMO to process the application prior to the deadline published by the IMO for securing Network Control Service Certification.
- 6 A Market Participant must respond to any additional requirements or questions by the IMO during the processing of its application.

2.2. Procedure steps to be followed by the IMO in processing an Application for Network Control Service Certification

Acknowledgement of application

- 1 Within one Business Day of receipt of an application for Network Control Service Certification, the IMO must notify the applicant that its application has been received.

Eligibility

- 2 The IMO must determine whether the applicant is a Market Participant. (Market Rule 5.3.1)
- 3 If the applicant is not a Market Participant, the IMO must reject the application and advise the applicant, in writing, within one Business Day.

Data accuracy and sufficiency

- 4 The IMO must check all data provided on the application form to determine whether:
 - (a) all required information has been provided;
 - (b) (information has been specifically provided to support the Applicant's claims in respect to the capacity of the Facility; and
 - (c) the information provided is of sufficient detail for the IMO to make an assessment.
- 5 If the information provided by the applicant is insufficient or incomplete, the IMO must contact the applicant and request additional data.
- 6 If the information provided by the applicant is sufficient, including any additional information provided by the applicant, the IMO must process the application.
- 7 In processing an application, the IMO may use the information provided by the applicant and any other information that the IMO may require to make its determinations.

Timing

- 8 For a Facility scheduled to commence operations before the timeframe required for the Network Control Service Tender, the IMO must determine if it has cause to believe that the Facility may not commence within the required timeframe.
- 9 The IMO must determine if it has cause to believe that a Facility will cease operations such that it could not meet the Network Control Service obligations for the duration of the Network Control Service Contract.
- 10 If the criteria in Steps 2.2.8 or 2.2.9 apply to a Facility, the IMO may seek further information from the applicant in respect to the commencement or

cessation of operations and may determine whether there are any limitations on the availability of the Facility.

Assessment of performance factors

11 The IMO will determine whether there are any other reasons to think that a Facility may not be able to provide the level of Network Control Service nominated by a Market Participant. In making this determination, the IMO may have regard to:

- (a) any minimum technical requirements specific to the Network Control Service being tendered; and
- (b) any availability requirements specific to the Network Control Service being tendered.

Any criteria or requirements specific to the Network Control Service will be outlined by the IMO in its expression of interest and tender notifications to allow applicants to address.

12 The IMO will use the above assessment criteria, and any other factors it considers relevant, in making a determination of whether Network Control Service Certification should be granted.

13 The IMO may, but is not required to, certify a Facility for a level of Network Control Service. Network Control Service Certification can only be granted to the level of capacity that the IMO is satisfied that a Facility can reliably provide. (Market Rule 5.3.6) The IMO may certify for an amount less than required for the Network Control Service. In that case, an applicant can only tender for a part of the Network Control Service requirement.

14 The IMO will notify all applicants, in writing, whether Network Control Service Certification has been granted and, where Network Control Service Certification is not granted, the reasons for its determination.

15 Where Network Control Service Certification is granted, the IMO will include the following information in the Network Control Service Certification:

- (a) the Network Control Service Tender for which certification pertains;
- (b) the Facility certified to tender for the Network Control Service;
- (c) the quantity of proposed Network Control Service that can be provided by the Facility, including any conditions or performance criteria;
- (d) the relevant notice period for calling on the proposed Network Control Service. (Market Rule 5.3.7)

2.3. Form for the Network Control Service Certification

A Network Control Service Certification application form will be published on the IMO website (www.imowa.com.au). A summary of the information to be provided is outlined at Appendix A.

3. Network Control Service Tenders

3.1. Procedure steps to be followed by a Market Participant and the Network Operator in submitting written tenders

The following steps apply to Market Participants and the Network Operator when submitting written tenders:

- 1 A Market Participant or the Network Operator must download any relevant tender documents, including but not limited to the invitation to tender and any accompanying documents, from the IMO website (www.imowa.com.au).
- 2 A Market Participant or the Network Operator may respond to an invitation to tender by submitting a written tender in the form, and by the date, specified in the invitation to tender. The written tender must be submitted to the IMO by mail, or by email, to the contact details provided in the invitation to tender.
- 3 Market Participants submitting written tenders are taken to:
 - (a) be familiar with the Market Rules and Market Procedures;
 - (b) have examined all relevant information and carried out appropriate and sufficient enquiries and due diligence to satisfy themselves as to the completeness, correctness, currency and accuracy of the relevant tender documents before submitting a tender;
 - (c) have examined all information that is relevant to the risks, contingencies and other circumstances having an effect of their tender; and
 - (d) be satisfied as to the correctness of its tender and that the prices quoted cover the costs and expenses of complying with all obligations and doing all matter and things necessary for the provision of the Network Control Service.
- 4 Market Participants must not:
 - (a) offer more capacity than is indicated by their Network Control Service Certification (Market Rule 5.4.6);
 - (b) offer a per MWh price, for when Facility is called upon, that is greater than the Alternative Maximum STEM Price. (Market Rule 5.4.7)
- 5 A Market Participant must contact the IMO, and must resubmit its tender, in the event that a tender has been submitted to the IMO but the receipt of the tender has not been acknowledged by the IMO within one Business Day of the submission. The resubmission of a written tender must be made prior to the deadline published by the IMO for submission of tenders.
- 6 A Market Participant must respond to any additional requirements or questions outlined in this procedure and/or provided by the IMO during the consideration of its tender.

- 7 If a Market Participant is successful, it must:
- (a) execute a Network Control Service Contract in accordance with Market Rule 5.5 and Section 4 of this Procedure;
 - (b) apply to the IMO for Certified Reserve Capacity in respect to the relevant Facility as set out in Market Rule 5.4.12; and
 - (c) ensure that the relevant Facility is registered as a Registered Facility as set out in Market Rule 5.4.13.

3.2. Procedure steps to be followed by the IMO when carrying out tender processes

- 1 Where the IMO is required to carry out a tender process, it will publish on its website (www.imowa.com.au) details of the tender process and a tender process timeline outlining the dates for the following:
- (a) deadline for securing Network Control Service Certification;
 - (b) publication of the invitation to tender;
 - (c) deadline for submission of tenders; and
 - (d) date the IMO will announce results of tender process. (Market Rule 5.4.1)
- 2 The IMO will also advertise the tender process in national media in whatever manner or form the IMO sees fit.
- 3 By the date specified in the tender process timeline, the IMO will publish on its website (www.imowa.com.au), an invitation to tender for the acquisition of the relevant Network Control Service. The invitation to tender will contain the information set out in Market Rule 5.4.4.
- 4 Following the deadline for submission of tenders, the IMO may request a meeting with any tenderer.
- 5 Following the deadline for submission of tenders, but prior to the date in which the IMO has provided to announce results of the tender process, the IMO will determine the results of the tender process.
- 6 The IMO will evaluate all tenders according to the IMO's interpretation of the contents of each tender. Where the IMO considers it necessary and appropriate, the IMO may seek further information to clarify a tender at the IMO's discretion. However, the IMO will not enter into correspondence or negotiation with a tenderer in relation to any interpretations made by the IMO.
- 7 In selecting tenders, the IMO must seek to achieve the lowest total cost, evaluating each tender on the basis of:
- (a) the offered Monthly Availability Payment amount contained in the tender;

- (b) plus an amount equal to:
 - (i) the offered per MWh price to apply when the Facility is called upon to provide the Network Control Service contained in the tender,
 - (ii) multiplied by the estimated number of hours per year that the services would be required specified in accordance with clause 5.2.1(a)(ii) of the Market Rules divided by 12. (Market Rule 5.4.8)

- 8 The IMO will assess the lowest tender offer, or collective of tender offers for part of the service requirements (as the case may be) including, where applicable, an estimation of costs to connect the relevant Facility or Facilities to the Network.
- 9 The IMO's tender assessment is subject to the tender, or tenders (as the case may be) meeting the relevant technical requirements for the Network Control Service.
- 10 The IMO is not under any obligation to accept any tender, or to enter into a Network Control Service Contract in respect of any tender, made in response to the IMO's invitation to tender. (Market Rule 5.4.9)
- 11 Where the IMO selects a tender, it will be in relation to the whole quantity of capacity offered, unless the relevant Market Participant or Network Operator specified that partial quantities may be accepted. (Market Rule 5.4.9)
- 12 The IMO will provide written notification to each Market Participant and Network Operator that submitted a tender as to whether they have been successful. This notification will be made by the deadline published by the IMO for notification of the results of the tender process.
- 13 Where the IMO selects a tender other than from the Network Operator, the IMO and the selected Market Participant must execute a Network Control Service Contract in accordance with Market Rule 5.5 and Section 4 of this Procedure.

4. Network Control Service Contracts

4.1. Standard Form Network Control Service Contract

The IMO is required to develop a standard form Network Control Service Contract. (Market Rule 5.5.1)

The IMO will publish on its website (www.imowa.com.au) a copy of the standard form contract prior to the first tender process commenced pursuant to this procedure and clause 5.4 of the Market Rules.

4.2. Provisions included in the standard form Network Control Service Contract

In accordance with Market Rule 5.5.3, the standard form Network Control Service Contract must make provision for the following:

- 1 The Network Control Service being provided;
- 2 The minimum duration of the contract will be outlined in the notification provided by the Network Operator. However they may extend this minimum period. This must be reflected in the contract (clause 5.2.2);
- 3 The procedures for the IMO, via System Management, to call on the Facility to provide the service, including:
 - (a) operational arrangements under which the IMO will allow System Management to call on the relevant Facility to provide the service;
 - (b) the quantities of the service that will be provided including, where applicable, any limitations on the time periods for which the Facility can be called on to provide the service. The limitations may include:
 - (i) times of the day, or of the week, or of the year at which the Facility cannot be called on to provide the service, or can only be called on to provide the service in reduced quantity or with other restrictions;
 - (ii) a maximum number of times which the Facility can be called on to provide the service, in a week, or in a year, as applicable;
 - (iii) the maximum duration of each occasion when the Facility can be called on to provide the service; and
 - (iv) a maximum cumulative duration for which the Facility can be called on to provide the Network Control Service in a day, or in a week, or in a year, as applicable;
 - (c) availability of the service, including any restrictions on arrangements when Planned Outages of the Facility are scheduled; and
 - (d) the notice period for calling on the Facility to provide the service;

- 4 The Facility that will provide the service, and a requirement that the Facility is registered as a Registered Facility during the period for which Network Control Service is to be provided;
- 5 Any conditions required to ensure that if the Facility is transferred or disposed of, the transferee will be bound by the contract obligations (for example, by requiring the execution of a deed of assumption or novation);
- 6 The technical standards with which the Facility must comply;
- 7 The Monthly Availability Payment and monthly payment terms, in accordance with Market Rule 5.8;
- 8 The per MWh price to apply when the Facility is called on to provide the service;
- 9 Measurement of the quantity of service provided;
- 10 Compliance standards, testing procedures and liquidated damages for the Market Participant, in accordance with Market Rule 5.6;
- 11 Procedures for the Market Participant to inform the IMO and System Management when the capability of the Facility to provide the service changes materially;
- 12 Contract modification procedures;
- 13 Provisions dealing with contract suspension, default, termination, force majeure conditions, and assignment; and
- 14 Any other terms and conditions as the IMO considers appropriate.

4.3. Variation from Standard Form Network Control Service Contract

The IMO is able to enter into a Network Control Service Contract that varies from the standard form contract. The IMO must consult with System Management before entering into a Network Control Service Contract that varies substantially from the standard form. (Market Rule 5.5.4)

5. Cost Recovery for Network Control Service Procurement Process

Estimation of Costs

After receiving notification by a Network Operator that there is an opportunity for distributed generation or Demand Side Management to compete with a transmission or distribution system upgrade, but prior to commencing the Network Control Service procurement process, the IMO may determine an estimate of costs it expects to incur for the following:

- (a) the expression of interest process;
- (b) the certification process; and
- (c) the tender process.

The IMO may invoice the relevant Network Operator for the estimated costs.

Cost Determination

Following the Network Control Service procurement process, the IMO must determine the costs it incurred for the following:

- (a) the expression of interest process;
- (b) the certification process; and
- (c) the tender process.

In the event the IMO invoiced the Network Operator for an initial estimate of costs, the IMO will subtract this amount from its cost determination. The IMO will invoice the Network Operator for any net costs remaining or refund the Network Operator for any overpayment.

Where the IMO did not invoice the relevant Network Operator in respect to an estimate of costs, the IMO will invoice the Network Operator for the actual costs determined.

Appendix A – Information to be included in Application for Network Control Service Certification Form

- Company and Contact Person details
- Facility Details
- Key Dates for the development and commissioning of the Facility
- Verification of Network Access
- Evidence of Environmental Approvals
- Generator Information, including Capacity, Fuel Supply, Outage Performance
- Demand Side Management Information
- Restrictions on Availability of Facilities
- Declaration