

Market Advisory Committee Agenda

Meeting No.	74
Location:	IMO Board Room, Level 17, 197 St Georges Terrace, Perth
Date:	Wednesday 13 th August 2014
Time:	2.00pm – 5.00pm

Item	Subject	Responsible	Time
1.	WELCOME	Chair	2 min
2.	MEETING APOLOGIES / ATTENDANCE	Chair	2 min
3.	MINUTES FROM MEETING 73	Chair	5 min
4.	ACTIONS ARISING	Chair	10 min
5.	CONCEPT PAPERS		
	a) CP_2014_08: Annual Approval of Facility Costs to Streamline Ancillary Service Procurement	IMO	20 min
6.	MARKET RULES		
	a) Market Rule Change Overview	IMO	5 min
	b) PRC_2014_05: Reduced Frequency of Determining the Energy Price Limits and Maximum Reserve Capacity Price	IMO	25 min
7.	DISCUSSION PAPERS		
	a) Carbon Tax – Retrospective Repeal and Pass Through of Cost Savings	Geoff Gaston	30 min
	b) Load Rejection Reserve Costing Update	System Management	20 min
	c) IMO Operational Plan	IMO	20 min
8.	MARKET PROCEDURES		
	a) Overview	IMO	5 min

9.	WORKING GROUPS		
	a) Overview and membership updates	IMO	5 min
10.	GENERAL BUSINESS		IMO 5 min
11.	NEXT MEETING: Wednesday 10th September 2014		



INDEPENDENT
MARKET
OPERATOR

Market Advisory Committee

Minutes

Meeting No.	73
Location	IMO Board Room Level 17, 197 St Georges Terrace, Perth
Date	Wednesday 25 June 2014
Time	2:00 PM – 3:45 PM

Attendees	Class	Comment
Allan Dawson	Chair	
Kate Ryan	Compulsory – IMO	
Dean Sharafi	Compulsory – System Management	
Matthew Cronin	Compulsory – Western Power	Proxy
Will Bargmann	Compulsory – Synergy	
Shane Cremin	Discretionary – Generator	
Andrew Stevens	Discretionary – Generator	
Andrew Sutherland	Discretionary – Generator	
Michael Zammit	Discretionary – Customer	
Steve Gould	Discretionary – Customer	
Geoff Gaston	Discretionary – Customer	
Peter Huxtable	Discretionary – Contestable Customer Representative	
Simon Middleton	Minister's Appointee – Observer	
Elizabeth Walters	Economic Regulation Authority (ERA) – Observer	
Apologies	From	Comment
Shane Duryea	Compulsory – Western Power	
Also in attendance	From	Comment
Mike Davidson	System Management	Observer
Paul Hynch	Public Utilities Office (PUO)	Observer
Anders Sangkuhl	Alinta Energy	Observer
Fiona Edmonds	Alinta Energy	Observer
Ben Tan	Tesla Corporation	Observer (3:00 PM - 3:45 PM)

Jacinda Papps	Synergy	Observer
Richard Wilson	EnerNOC	Observer
Erin Stone	IMO	Observer
Jenny Laidlaw	IMO	Observer
Greg Ruthven	IMO	Observer
Paul Tetley	IMO	Observer
Courtney Roberts	IMO	Observer
Aditi Varma	IMO	Presenter
Anne-Marie Foo	IMO	Presenter
Laura Koziol	IMO	Presenter
Bryn Garrod	IMO	Presenter
George Sproule	IMO	Presenter and Minutes

Item	Subject	Action
1.	<p>WELCOME</p> <p>The Chair opened the meeting at 2:00 PM and welcomed members to the 73rd meeting of the Market Advisory Committee (MAC).</p>	
2.	<p>MEETING APOLOGIES / ATTENDANCE</p> <p>The following apologies were received:</p> <ul style="list-style-type: none"> • Shane Duryea (Compulsory – Western Power) <p>The following proxies were noted:</p> <ul style="list-style-type: none"> • Matthew Cronin for Shane Duryea (Compulsory – Western Power) <p>The following presenters and observers were noted:</p> <ul style="list-style-type: none"> • Mike Davidson (Observer, System Management) • Paul Hynch (Observer, PUO) • Anders Sangkuhl (Observer, Alinta Energy) • Fiona Edmonds (Observer, Alinta Energy) • Ben Tan (Observer, Tesla Corporation) • Jacinda Papps (Observer, Synergy) • Richard Wilson (Observer, EnerNOC) • Erin Stone (Observer, IMO) • Jenny Laidlaw (Observer, IMO) • Greg Ruthven (Observer, IMO) • Paul Tetley (Observer, IMO) • Courtney Roberts (Observer, IMO) • Bryn Garrod (Presenter, IMO) • Laura Koziol (Presenter, IMO) • Aditi Varma (Presenter, IMO) • Anne-Marie Foo (Presenter, IMO) • George Sproule (Presenter and Minutes, IMO) 	

3.	<p>MINUTES OF PREVIOUS MEETING</p> <p>The minutes of MAC Meeting No. 71, held on 14 May 2014, were circulated to members prior to the meeting. The minutes were accepted as a true record of the meeting.</p> <p><i>Action Point: The IMO to publish the minutes of Meeting No. 71 on the Market Web Site as final.</i></p>	IMO
4.	<p>ACTIONS ARISING</p> <p>The Chair invited Ms Kate Ryan to update the MAC on the current action items. The following points were noted:</p> <ul style="list-style-type: none"> • Item 18: Ms Ryan noted that this item was in progress and that Western Power would be able to provide an update at an upcoming meeting. • Item 20: Ms Ryan noted that an update would be provided in the industry update on the Muja bus-tie transformer failure scheduled for 4:30 PM that afternoon. • Item 22: Ms Ryan noted that this item was complete. • Item 29: Mr Dean Sharafi proposed two options for System Management to inform the market of Out of Merit dispatch events. These included either using the real time outage data or further funding System Management to provide for additional resources to enable it to undertake additional planning which would help it to notify the market in advance of such events. <p>Mr Andrew Sutherland queried whether System Management was providing Dispatch Instructions to Facilities which had been constrained off. Mr Sharafi noted that in real time System Management could not always identify on an ex-ante basis whether and to what extent a Facility would run Out of Merit.</p> <p>Ms Jenny Laidlaw queried whether it was possible for System Management to provide advance notice to the market of the anticipated level of Out of Merit dispatch associated with the Muja units so that participants could be better informed the likely impact on their Facilities. Mr Sharafi noted that this was possible but that the quantity which the Muja units were dispatched for was very dynamic.</p> <p>The Chair closed the discussion noting that it would be further discussed at the upcoming industry update on the Muja bus-tie transformer failure.</p>	
5a.	<p>MARKET RULE CHANGE OVERVIEW</p> <p>Ms Ryan informed the MAC that pending the outcomes of the Electricity Market Review (Review) the IMO had extended (to 31 December 2014) the:</p> <ul style="list-style-type: none"> • Draft Rule Change Report for the Rule Change Proposal: Outages Planning Phase 2 – Outage Process Refinements (RC_2013_15); • Final Rule Change Report for the Rule Change Proposal: Changes to the Reserve Capacity Price and the Dynamic Reserve Capacity 	

	<p>Refunds Regime (RC_2013_20); and</p> <ul style="list-style-type: none"> Final Rule Change Report for the Rule Change Proposal: Limit to Early Entry Capacity Payments (RC_2013_21). <p>Ms Ryan noted that some of these Rule Change Proposals were likely to have significant implementation costs and that given the context of the Review and the reasons provided by the Minister for the recent rejection of two Rule Change Proposals, it was appropriate at this stage to delay the progression of these Rule Change Proposals.</p> <p>Ms Ryan also noted that the IMO had revised its 2014-15 work plan to focus on minor and administrative amendments and to avoid any changes likely to have significant implementation costs.</p> <p>Mr Michael Zammit queried the impact of the rejected Rule Change Proposals. Ms Ryan noted that it would be dependent on the outcome of the Review, however, if the proposals were still relevant, they could be resubmitted into the rule change process.</p>	
<p>5b.</p>	<p>PRC_2014_02: REMOVAL OF FACILITY AGGREGATION</p> <p>The Chair invited Ms Anne-Marie Foo to present an overview of the pre Rule Change Proposal. The following key points were discussed:</p> <ul style="list-style-type: none"> Mr Zammit asked whether the proposal should be delayed until the Review has concluded. The Chair noted that since the proposal was purely administrative and not dependent on the outcomes of the Review, the IMO considered the proposal should be progressed. Mr Geoff Gaston queried which Market Participant had previously aggregated some of its Facilities. The Chair noted that it was Alinta Energy and that the Facilities had been disaggregated shortly after aggregation. Mr Shane Cremin queried whether changes would have to be made with respect to allocating Spinning Reserve Costs to aggregated Facilities. Ms Jacinda Papps responded that the IMO had proposed changes to Appendix 2 to address this. Ms Erin Stone confirmed this was the case. Mr Andrew Stevens noted that given the lack of benefits associated with Facility aggregation he did not see any reason to retain it. <p>MAC members agreed that the IMO should submit the Rule Change Proposal into the formal process and progress it using the Standard Rule Change Process.</p> <p><i>Action Point: The IMO to submit the Rule Change Proposal: Removal of Facility Aggregation (RC_2014_02) into the formal process and progress it using the Standard Rule Change Process.</i></p>	<p>IMO</p>
<p>5c.</p>	<p>PRC_2014_03: ADMINISTRATIVE IMPROVEMENTS TO THE OUTAGE PROCESS</p> <p>The Chair invited Mr George Sproule to present the proposal. Mr Sproule noted that the majority of changes in this pre Rule Change Proposal were from the pre Rule Change Proposal: Outages and the Application of</p>	

	<p>Availability and Constraint Payments to Non-Scheduled Generators (PRC_2013_16).</p> <p>Mr Sproule provided an overview of the new amendments which reflected outcomes from a review of the Consequential Outage process undertaken by the IMO. Specifically, it was proposed that the requirement for Market Participants to provide an authorised notice confirming the details of a Consequential Outage be removed.</p> <p>MAC members agreed that the IMO should submit the Rule Change Proposal into the formal process and progress it using the Standard Rule Change Process.</p> <p><i>Action Point: The IMO to submit the Rule Change Proposal: Administrative Improvements to the Outage Process (RC_2014_03) into the formal process and progress it using the Standard Rule Change Process.</i></p>	IMO
5d.	<p>PRC_2014_04: SPECIFIC TRANSITION PROVISIONS FOR THE 2014 RESERVE CAPACITY CYCLE</p> <p>The Chair invited Ms Aditi Varma to present this agenda item. Ms Varma provided a brief summary of the pre Rule Change Proposal. The following points were discussed:</p> <ul style="list-style-type: none"> • Mr Simon Middleton queried what the consequences were if there was an incidence of non-compliance. The Chair responded that the Market Rules require the IMO to record each incidence of non-compliance which is then audited annually by an independent Market Auditor. The Market Auditor's report is submitted annually to the Minister and published on the Market Web Site. The Chair noted the reputational risk to the IMO of non-compliance with the Market Rules. • Mr Sutherland queried if the proposed transitional rules could be placed in another market document for them to be more easily removed after they have served their purpose. Ms Ryan responded that there was no alternative document that the proposed rules could be placed in and noted that the IMO proposes to place these proposed transitional rules in Chapter 1 of the Market Rules similar to other transitional rules. She also noted that the IMO can remove the transitional rules from the Market Rules at any time after they have served their purpose. <p>MAC members agreed that the IMO should submit the Rule Change Proposal into the formal process and progress it using the Standard Rule Change Process.</p> <p><i>Action Point: The IMO to submit the Rule Change Proposal: Specific Transition Provisions for the 2014 Reserve Capacity Cycle (RC_2014_04) into the formal process and progress it using the Standard Rule Change Process.</i></p>	IMO

6a.	<p>DISCUSSION PAPER: REDUCED FREQUENCY OF DETERMINING ENERGY PRICE LIMITS AND THE MAXIMUM RESERVE CAPACITY PRICE</p> <p>The Chair invited Ms Laura Koziol to present an overview of the discussion paper on the proposal to extend the timeframe for the review of the Energy Price Limits (EPL) and the Maximum Reserve Capacity Price (MRCP) from annually to five yearly.</p> <p>The following key points were discussed:</p> <ul style="list-style-type: none"> • Mr Cremin asked for clarification on what would trigger an in-period review. The Chair clarified that the IMO proposed to have discretion on when to review the prices outside of the regular review cycle. • Mr Sutherland noted that moving to a five yearly review of these values would significantly increase the importance of the re-set price and process. • Mr Stevens noted that he would prefer the continued monthly indexation of the Alternative Maximum STEM price to the oil price on the basis that it fluctuated and could affect generation costs significantly. Mr Gaston agreed that a monthly indexation would be preferable to the proposed quarterly adjustment. • Mr Sutherland noted that there have been significant changes in the MRCP in the past. The Chair agreed but stated that the previous material changes were largely due to changes in the methodology and not the input variables. • Mr Gaston noted that the IMO should wait for the next of the MRCP methodology review before implementing the five yearly review cycle. Mr Sutherland noted that this would overlap with the Electricity Market Review. Mr Greg Ruthven clarified that the next MRCP methodology review will be due before the end of 2016. • Mr Will Bargmann asked why the IMO proposed a five yearly review instead of the three years suggested by the ERA. Ms Ryan responded that five yearly reviews are common regulatory practice and would further reduce costs. The Chair noted that a five yearly review would also align better with the five yearly methodology review and would prevent the situation where the methodology is revised but prices calculated under the old methodology remain. • Mr Bargmann noted that Market Participants need more certainty about the circumstances under which the IMO would undertake an in-period review and suggested that there should be criteria under which the IMO should review the prices outside of the five yearly review cycle. The Chair requested that Synergy and other MAC members provide recommendations on what criteria could be considered at the next MAC meeting. <p><i>Action Points:</i></p> <ul style="list-style-type: none"> • <i>The IMO to consider the feedback provided by MAC members and</i> 	<p style="text-align: right;">IMO</p>
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	<p><i>develop a pre Rule Change Proposal to present at the August MAC meeting.</i></p> <ul style="list-style-type: none"> <i>MAC members to provide advice on the criteria under which the IMO should review the EPL and MRCP outside the five yearly review cycle at the August MAC meeting.</i> 	MAC
6b.	<p>DISCUSSION PAPER: PROVISIONAL AND FINAL BALANCING PRICES</p> <p>The Chair introduced Ms Ryan to provide an overview of the IMO's analysis on the Provisional and Final Balancing Prices.</p> <p>Mr Stevens noted that it appeared that in January the problem was fixed. He questioned whether this had resulted from a specific action, noting that it would therefore be expected to continue. Mr Sharafi said that there was no specific action undertaken in January.</p> <p>The MAC agreed that it appeared that there may be some seasonality affecting the price differential. Mr Stevens therefore suggested that further analysis should be undertaken over coming months rather than presuming accuracy had improved.</p> <p>Mr Sutherland noted that there was currently 22 hours between System Management providing its estimate to the IMO and the IMO publishing the Provisional Balancing Price. He further noted that the difference between these prices was larger than the difference between the Provisional and Final Balancing Price. Ms Ryan said that it was likely that the IMO could publish the Provisional Balancing Price earlier. The Chair agreed and committed to assess the operational impact and advise MAC members.</p> <p>The MAC agreed to assess the accuracy of Balancing Prices again in six months.</p> <p>Mr Bargmann also asked System Management to assess opportunities for improving its estimates. Mr Sharafi noted that majority of issues affecting its estimates were related to SCADA failures and therefore it was unlikely to be able to reduce these errors. The Chair questioned whether there was a calculation to replace SCADA values where they are not received, or whether it was a manual process. Mr Sharafi said he believed it was a manual process but did not know the detail.</p> <p><i>Actions:</i></p> <ul style="list-style-type: none"> <i>The IMO to assess the operational impact of publishing the Provisional Balancing Price earlier and advise MAC members.</i> <i>The IMO to assess the accuracy of Balancing Prices for discussion at a MAC meeting in six months' time.</i> 	IMO IMO
6c.	<p>DISCUSSION PAPER: MODIFYING THE BILATERAL AND SHORT TERM ENERGY MARKET SUBMISSION TIMETABLES</p> <p>The Chair invited Dr Bryn Garrod to provide an overview of the options for submission timetables and requested feedback from MAC members. The following points were noted:</p> <ul style="list-style-type: none"> Mr Sharafi noted that by 8:30 AM each Trading Day, System Management provides the IMO with Outage and Ancillary Services data which are required before the Short Term Energy Market 	

	<p>(STEM) window can be opened. Ms Laidlaw noted that it would be beneficial for System Management to provide the most up to date data available, and agreed that if the timeframes were extended this may also enable the deadlines for System Management to provide this data to be extended.</p> <ul style="list-style-type: none"> • Several MAC members supported a longer STEM window but noted associated issues, including the impact it could have on employees (particularly on weekends and for those based on the east coast) and the reduction in time for Market Participants to finalise gas nominations and initial Balancing Submissions. • Ms Papps questioned the need for the Bilateral and STEM Submission windows to overlap and noted that Synergy waits for its net bilateral position before putting in its STEM Submission, therefore a STEM Submission could not be made until the Bilateral Submission window had closed. <p>MAC members generally agreed that there was no need to change the Bilateral Submission window but that extending the STEM Submission window may have merit. The Chair suggested that MAC members give further consideration to the operational impacts of extending the STEM Submission window before the next MAC.</p> <p><i>Action Point: MAC members to give further consideration to the operational impacts of extending the STEM Submission window for further discussion at the next MAC meeting.</i></p>	MAC
<p>7.</p>	<p>MARKET PROCEDURES OVERVIEW</p> <p>Ms Ryan noted that:</p> <ul style="list-style-type: none"> • Consultation would soon be held for the Market Procedure: Reserve Capacity Security and a further round of consultation would also be held for the Market Procedure: Notices and Communications. • The IMO was in the process of revising the Procedure Change Reports for the Market Procedure: Certification of Reserve Capacity and the Market Procedure: Reserve Capacity Performance Monitoring in light the Minister's rejection of the related Rule Change Proposals. • Consultation on the Market Procedure: Determining the Benchmark Reserve Capacity Price had been delayed to align with the publication of the Final Report for the Rule Change Proposal: Changes to the Reserve Capacity Price and the Dynamic Reserve Capacity Refunds Regime (RC_2013_20) which is now scheduled to be published on 31 December 2014. 	
<p>8.</p>	<p>WORKING GROUP OVERVIEW AND MEMBERSHIP UPDATES</p> <p>Ms Ryan noted that Mr Sharafi had replaced Mr Phil Kelloway as System Management's representative to the MAC.</p>	

9. ELECTRICITY MARKET OVERVIEW UPDATE

The Chair introduced Mr Middleton to provide an update on the Electricity Market Review. Mr Middleton made the following comments with respect to the upcoming release of the discussion paper:

- Before releasing the paper the Review team intended to informally circulate preliminary information to key stakeholders seeking feedback and confirmation that the information provided was represented accurately.
- Release of the paper and some subsequent timeframes have been postponed by approximately 3 weeks and the paper is now scheduled to be released at the end of July for a four-week public consultation period. However, this will not affect the end-date of the Review.
- The outcomes of the paper are not pre-determined and are being developed in an exploratory and robust manner. The paper will identify issues and propose options but will not provide recommendations as the cost-benefit modelling and consultation will not be completed by the time of its release.
- The paper will be available on the PUO's website and an overview session will be held after its release.

The following issues were raised by MAC members:

- Mr Zammit queried what topics were being covered in the Review. Mr Middleton responded that the Review would look at industry structure, market design and the regulatory regime. Mr Middleton also noted that it would focus on areas where competitive markets didn't exist, to the extent possible, and noted that the issue of market concentration was a primary focus.
- Mr Stevens asked whether the three objectives of the Review had changed or been re-prioritised. Mr Middleton responded that the objectives had not changed but that the outcomes of the Review would be highly dependent on the priority given to each of the objectives.
- Mr Sharafi queried whether there were any specific areas where sufficient information had not been provided. Mr Middleton responded that some of the information provided to date had highlighted further areas to explore but that there were no major areas that were deficient.
- Mr Sharafi noted that Mr Middleton had previously indicated that there would be a formal consultation process followed by an informal process of engagement. Mr Middleton confirmed that this is still the intention and that a week after the release of the discussion paper there will be an overview session and a four-week public consultation period. Mr Middleton reiterated that any feedback was welcome on an ongoing basis.

	<ul style="list-style-type: none"> • Mr Peter Huxtable queried whether the discussion paper would have a clear direction. Mr Middleton responded that it would provide options for each area covered in the Review. He noted specifically that: <ul style="list-style-type: none"> ○ In regard to the market design the Review will consider three options; doing nothing, reforming the existing capacity market and moving to an energy only market. ○ In regard to the industry structure, the Review will consider the appropriateness of using local institutions compared with leveraging existing bodies in the National Electricity Market (NEM) and the issue of market concentration. ○ In regard to the regulatory regime, the Review will consider topics such as the network access model, asset regulation, customer transfers and tariff design. • Mr Huxtable also queried whether incumbents had provided the majority of input into the Review, noting that incumbents would generally be satisfied with the status quo. Mr Middleton noted that the Review team had liaised with various peak bodies as well as a number of Market Participants and governing bodies in the NEM. 	
10.	<p>GENERAL BUSINESS</p> <ul style="list-style-type: none"> • The Chair noted that the industry update on the Muja bus-tie transformer failure would be provided at 4:30 PM. • Mr Stevens queried whether it was possible to include in the Rule Change Proposal: Administrative Improvements to the Outage Process (PRC_2014_03) an amendment to require the quantity of an outage to be based upon the prevailing temperature on the day rather than at 15 or 41 degrees. Ms Stone responded that PRC_2014_03 was targeting low cost, administrative changes and that the amendment being proposed by Mr Stevens is expected to require changes to System Management systems which would involve costs and implementation timeframes that might delay the implementation of the proposal. 	
<p>CLOSED: The Chair declared the meeting closed at 3:45 PM.</p>		

Agenda item 4: 2014 MAC Action Points

Legend:

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

#	Year	Action	Responsibility	Meeting arising	Status/Progress
4	2014	Western Power to provide an overview of Western Power's current approach to constrained access to the grid at the next MAC Meeting.	Western Power	Mar	Deferred. To be considered as part of the Electricity Market Review.
18	2014	Western Power to provide advice on the appropriate level of insurance coverage for the purposes of determining the Maximum Reserve Capacity Price.	Western Power	May	In progress.
20	2014	The IMO to engage with System Management to determine the financial impact of the transformer failures at Muja and provide forecast cost estimates based on the outcomes of that discussion.	IMO/System Management	May	Ongoing – The IMO and System Management are working together to minimise risks and costs to the market. The IMO will continue to hold industry briefings and providing System Management with their analysis and findings to assist System Management in their dispatch decision making.

#	Year	Action	Responsibility	Meeting arising	Status/Progress
22	2014	The IMO to discuss with Mr Sutherland his concerns about meeting the requirement to make Balancing Submissions reflective of cleared LFAS quantities under the proposed amendments in the Rule Change Proposal: Improvements to the Energy Market (PRC_2014_01).	IMO	May	Complete.
29	2014	System Management to investigate the process for Out of Merit dispatch events and circulate a proposal to inform affected Market Participants about these events prior to the Dispatch Instruction being issued.	System Management	May	System Management's communication with the industry with respect to Out of Merit dispatch events associated with the Muja transformer failure should be addressed as part of Action Item 20.
31	2014	The IMO to submit the Rule Change Proposal: Removal of Facility Aggregation (RC_2014_02) into the formal process and progress it using the Standard Rule Change Process.	IMO	June	Complete.
32	2014	The IMO to submit the Rule Change Proposal: Administrative Improvements to the Outage Process (RC_2014_03) into the formal process and progress it using the Standard Rule Change Process.	IMO	June	In progress.
33	2014	The IMO to submit the Rule Change Proposal: Specific Transition Provisions for the 2014 Reserve Capacity Cycle (RC_2014_04) into the formal process and progress it using the Standard Rule Change Process.	IMO	June	Complete.
34	2014	The IMO to consider the feedback provided by MAC members and develop a pre Rule Change Proposal to present at the August MAC meeting.	IMO	June	Complete. To be discussed at meeting – Agenda Item 6b.
35	2014	MAC members to provide advice on the criteria under which the IMO should review the EPL and MRCP outside the five yearly review cycle at the August MAC meeting.	MAC	June	To be discussed at Aug meeting – Agenda Item 6b.
36	2014	The IMO to assess the operational impact of publishing the Provisional Balancing Price earlier and advise MAC members.	IMO	June	On 1 September 2014, the IMO will start publishing the Provisional Balancing Price at 11:00 AM on the day that it receives the data from System Management for all Business Days.

#	Year	Action	Responsibility	Meeting arising	Status/Progress
37	2014	The IMO to assess the accuracy of Balancing Prices for discussion at a MAC meeting in six months' time.	IMO	June	
38	2014	MAC members to give further consideration to the operational impacts of extending the STEM Submission window for further discussion at the next MAC meeting.	MAC	June	Feedback to be sought at meeting.

Concept Paper: Annual Approval of Facility Costs to Streamline Ancillary Service Procurement

1. BACKGROUND

The recent transformer failure at Muja has created the need for System Management to consider procuring Dispatch Support Services¹ under an Ancillary Service Contract to support Power System Security and Reliability in the South West and Great Southern regions. The procurement process for Ancillary Service Contracts can be lengthy. Where the process is protracted, inefficient dispatch options and distortions in the market may result.

Currently, under clauses 3.11.8 and 3.11.8A of the Wholesale Electricity Market Rules (Market Rules), System Management may enter into Ancillary Service Contracts with Rule Participants for the purpose of providing Spinning Reserve Services (where the requirement cannot be met with Synergy's Facilities), Load Rejection Reserve Services, System Restart Service or Dispatch Support Service².

Clause 3.11 of the Market Rules outlines the process required to procure a Dispatch Support Service Contract as follows:

1. System Management must update the Ancillary Service Requirement (which includes Dispatch Support Services) at any time if it considers that a considerable shortfall of that service relative to the applicable Ancillary Service Standard is occurring, or is likely to occur before the next annual update. System Management must submit this to the IMO for approval.
2. The IMO must audit System Management's updated Ancillary Service Requirement.
3. Where System Management intends to enter into an Ancillary Service Contract, it must:
 - seek to minimise the cost of meeting its obligations to schedule and dispatch facilities to meet the Ancillary Service Requirements in each Trading Interval in accordance with Chapter 7 (Dispatch) of the Market Rules; and
 - give consideration to using a competitive tender process, unless it considers that this would not meet the requirements to minimise the costs.
4. Before entering into an Ancillary Service Contract, System Management must obtain the approval of the contract from the ERA. In its approval, the ERA "must only review whether an Ancillary Service Contract... would achieve the lowest practicably sustainable cost of delivering the services" and may undertake a public consultation process.

¹ Under clause 3.9.9 of the Market Rules, a Dispatch Support Service is an Ancillary Service that is needed to maintain the Power System Security and Power System Reliability that are not covered by the other Ancillary Service categories, including the service of controlling voltage levels, where that service is not already provided under any Arrangement for Access or Network Control Service Contract.

² It should be noted that under clauses 5.1.1 and 5.1.2 of the Market Rules, Network Control Services are to be procured by the Network Operator to cover services that are provided as a substitute for transmission or distribution network upgrades. These are no longer considered by the Market Rules as they are designed to provide non-market related support to the network.

Despite the ERA's ability to circumvent the consultation process under clause 3.11.8D of the Market Rules, the IMO considers that there are further opportunities to expedite and streamline the procurement process which could result in more efficient market outcomes.

2. ISSUES WITH THE ANCILLARY SERVICE PROCUREMENT PROCESS

Where System Management considers that a Dispatch Support Service needs to be procured, it currently publishes an Expression of Interest on its website. Rule Participants are required to submit the technical specifications, quantity of energy available to be used for dispatch support and cost of providing the required service. System Management then evaluates all aspects of the tender submissions to determine the most efficient procurement of the required Dispatch Support Service.

This requires System Management to make an effective assessment of the least cost solution. However, System Management does not have sufficient information on the expected/benchmark Short Run Marginal Cost (SRMC) of different Facilities to assess the costs submitted in the tenders and therefore inform its decision with regard to the contract. Consequently, the process for procuring Ancillary Services may take longer than required where the ERA does not agree with the System Management's contract arrangements, which would then require the process to be restarted.

By contrast, the ERA (and the IMO) undertakes a range of functions in the market, where it is required to assess economic efficiency (costs and prices) and is best placed to do so. Further, the ERA has access to the information necessary to make a fully informed decision with respect to the efficient cost of the provision of Ancillary Services. While the ERA making the determination is consistent with the current process, under the current arrangements the ERA is only required to make this determination at the end of the process.

In the period between System Management identifying a considerable shortfall of Ancillary Services relative to the applicable standard and the completion of the procurement process, the market bears the associated costs (for example, constraint payments for Out of Merit generation). Where this is a protracted process, the resulting market outcomes are likely to be inefficient and the effect on the market is likely to be significant.

The IMO notes that possible inefficient outcomes include the following:

1. Out of Merit dispatch is likely to be required, which does not ensure that the lowest cost energy is dispatched. This mechanism is only designed to retard brief disruptions to normal dispatch.
2. Constraint payments to Market Participants for the Out of Merit generation of a Facility may not recover the SRMC of that Facility providing energy in that Trading Interval. In particular, this is a problem where the constraint requires a Facility that has market power, and is therefore required to bid at SRMC to run, where the Facility has a low Ramp Rate Limit, where the Facility would otherwise not be running and where the Facility is required to run across multiple Trading Intervals.
3. In most cases, System Management must dispatch Facilities in the order required under clause 7.6.1D of the Market Rules (i.e. each Facility in order of the Balancing Merit Order (BMO), any Facility in the BMO and a Non-Balancing Facility). This means that System Management is unable to dispatch other (potentially cheaper) Facilities, potentially

resulting in a less efficient outcome than would be achieved under an Ancillary Service Contract.

4. Market Customers cannot easily predict the costs associated with the constraint payments to Market Participants for the Out of Merit generation required to pay for the Ancillary Services.
5. Market Participants that have Facilities operating near the margin cannot easily determine the reason that the Facility has been dispatched in a certain manner by System Management in a Trading Interval.

3. PROPOSED SOLUTION

The IMO considers that the process of procuring Ancillary Services can be expedited by instituting a requirement for all Facilities wanting to enter into an Ancillary Service Contract to provide a price to the ERA to approve, prior to the start of each Capacity Year.

The IMO proposes that this price is the SRMC of the Facility, less the Balancing Price, plus a profit margin. The SRMC of the Facility will provide the Market Participant's expectation of the cost of providing energy for each Facility and should factor in start-up costs and other operating costs³. The IMO considers that the combination of the capacity payment, energy payment (Balancing Price), and Ancillary Service payment will ensure that a Facility does not run at a loss. The profit margin, on top of this, should provide an appropriate return for the service. The IMO considers that the profit margin should be based on the 10-year Government Bond Yield rate.

The IMO proposes that each year the ERA would then provide the list of approved prices to System Management with the lowest prices ranked first, and where Ancillary Services are required, System Management follows that order (where the Facility meets the requirements) for the quantity in the IMO-approved requirement.

This pre-approval process, where Ancillary Services are required, would allow for System Management to request only for the quantity of energy and technical specifications from Rule Participants, and access Dispatch Support Services more quickly when required.

The IMO notes that a requirement could also be introduced for System Management to procure a Dispatch Support Service under an Ancillary Service Contract in accordance with the above proposed process where the shortfall has persisted for more than five Business Days or was expected to last for an extended period.

4. ACTION POINTS

The IMO recommends that MAC members:

- **consider and discuss** the proposed solution; and
- **recommend** to the IMO whether to progress a Rule Change Proposal.

³ It should be noted that the SRMC does not include fixed costs which do not vary in the short run. These fixed costs are recovered through Capacity Credit payments under the Reserve Capacity Mechanism.

Agenda Item 6a: Overview of Market Rule Changes

Below is a summary of the status of Market Rule Change Proposals as at 6 August 2013 that are either currently being progressed by the IMO or have been registered by the IMO as potential Rule Change Proposals to be progressed in the future.

Rule changes: Formally submitted (see appendix 1)	6 th August 2014
Fast track with Consultation Period open	0
Standard Rule Changes with 1st Submission Period Open	2
Fast Track Rule Changes with Consultation Period Closed (final report being prepared)	0
Standard Rule Changes with 1st Submission Period Closed (draft report being prepared)	1*
Standard Rule Changes with 2nd Submission Period Open	0
Standard Rule Changes with 2nd Submission Period Closed (final report being prepared)	2*
Rule Changes – Awaiting Minister’s Approval and/or Commencement	0
Total Rule Changes Currently in Progress	5

* The timeframes for these Rule Change Proposals have been extended on the basis that the IMO considers that these Rule Change Proposals are likely to overlap with issues considered as part of the Review and/or are likely to have significant implementation costs. The extension of the IMO’s consideration of these proposed amendments will allow the consideration of the outcomes of the Electricity Market Review and any potential impacts.

The following table provides an update of the items the Market Development team anticipates progressing over the next two to three months.

Issue	Likely timing
PRC_2014_05: Reduced Frequency of Determining the Energy Price Limits and the Maximum Reserve Capacity Price	Pre Rule Change Proposal – August MAC
PRC_2014_06: Removal of Resource Plans and Dispatchable Loads	Pre Rule Change Proposal – October MAC
PRC_2014_07: Correction of Minor, Typographical and Manifest Errors	Submission in September 2014
Amendments to Market Information Arrangements (review of confidentiality and chapter 10)	October 2014
Registering the Western Power Network	October 2014

The IMO also notes that it keeps logs of potential issues that may require rule changes, minor and typographical issues and rule change suggestions that is updated on a regular basis. These logs form the basis of the IMO's future rule change work program, including development of the Market Rules Evolution Plan.

APPENDIX 1: FORMALLY SUBMITTED RULE CHANGES (Current as of 6th August 2014)**Standard Rule Change with First Submission Period Open**

ID	Date submitted	Title	Submitter	Next Step	Date
RC_2014_04	30/06/2014	Specific Transition Provisions for the 2014 Reserve Capacity Cycle	IMO	Submissions Close	11/08/2014
RC_2014_02	14/07/2014	Removal of Facility Aggregation	IMO	Submissions Close	25/08/2014

Standard Rule Change with First Submission Period Closed

ID	Date submitted	Title	Submitter	Next Step	Date
RC_2013_15	24/12/2013	Outage Planning Phase 2 - Outage Process Refinements	IMO	Draft Rule Change Report published	31/12/2014

Standard Rule Change with Second Submission Period Closed

ID	Date submitted	Title	Submitter	Next Step	Date
RC_2013_20	10/01/2014	Changes to the Reserve Capacity Price and the dynamic Reserve Capacity refunds regime	IMO	Final Rule Change Report published	31/12/2014
RC_2013_21	10/01/2014	Limit to Early Entry Capacity Payments	IMO	Final Rule Change Report published	31/12/2014

Cover Paper: Reduced Frequency of Determining the Energy Price Limits and Maximum Reserve Capacity Price

1. BACKGROUND

At the MAC meeting on 25 June 2014, the concept paper for the Rule Change Proposal RC_2014_05: Reduced Frequency of Determining the Energy Price Limits and Maximum Reserve Capacity Price was discussed.

Two action items arose from this discussion:

1. The IMO to consider the feedback provided by MAC members and develop a pre Rule Change Proposal to present at the August MAC meeting – The IMO has considered feedback from MAC members and prepared a pre Rule Change Proposal, provided at Attachment 1.
2. MAC members to provide advice on the criteria under which the IMO should review the EPL and MRCP outside the five yearly review cycle at the August MAC meeting – On 6 August 2014, Synergy and Alinta Energy provided a document containing suggested criteria under which the IMO should review the prices outside of the five yearly review cycle, provided at Attachment 2. The IMO has not had time to consider this advice or incorporate it in the pre Rule Change Proposal.

2. ACTION POINTS

The IMO recommends that MAC members:

- **discuss** the proposed amendments contained in the pre Rule Change Proposal;
- **discuss** the criteria suggested by Synergy and Alinta Energy with respect to the review of the prices outside of the five yearly review cycle; and
- **note** that the IMO intends to formally submit the revised proposal into the Standard Rule Change Process, subject to any comment from the MAC.



INDEPENDENT
MARKET
OPERATOR

Wholesale Electricity Market Pre Rule Change Proposal

Rule Change Proposal ID: **RC_2014_05**

Date received: **TBA**

Change requested by:

Name:	Kate Ryan
Phone:	08 9254 4357
Fax:	08 9254 4399
Email:	kate.ryan@imowa.com.au
Organisation:	IMO
Address:	Level 17, 197 St Georges Tce, Perth WA 6000
Date submitted:	TBA
Urgency:	Medium
Change Proposal title:	Reduced Frequency of Determining the Energy Price Limits and Maximum Reserve Capacity Price
Market Rule(s) affected:	Clauses 2.26.3, 4.1.19, 4.16.1, 4.16.1A (new), 4.16.3, 4.16.4, 4.16.5, 4.16.6, 4.16.7, 4.16.8, 4.16.9, 4.16.10 (new), 4.16.11 (new), 4.16.12 (new), 4.16.13 (new), 6.20.1, 6.20.2, 6.20.3, 6.20.4, 6.20.5, 6.20.6, 6.20.7, 6.20.8, 6.20.9, 6.10.9A, 6.20.10, 6.20.11 and Glossary.

Introduction

Clause 2.5.1 of the Wholesale Electricity Market (WEM) Rules (Market Rules) provides that any person (including the IMO) may make a Rule Change Proposal by completing a Rule Change Proposal form that must be submitted to the IMO.

This Rule Change Proposal can be posted, faxed or emailed to:

Independent Market Operator

Attn: Group Manager, Development and Capacity

PO Box 7096

Cloisters Square, Perth, WA 6850

Fax: (08) 9254 4339

Email: market.development@imowa.com.au

The IMO will assess the proposal and, within five Business Days of receiving this Rule Change Proposal form, will notify you whether the Rule Change Proposal will be further progressed.

In order for the proposal to be progressed, all fields below must be completed and the change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the Wholesale Market Objectives.

The objectives of the market are:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- (c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.

Details of the Proposed Rule Change

1. Describe the concern with the existing Market Rules that is to be addressed by the proposed Market Rule change:

The Wholesale Electricity Market Rules (Market Rules) require the IMO to undertake an annual review of the Energy Price Limits (EPL) and the Maximum Reserve Capacity Price (MRCP). These prices provide price ceilings for the energy market and the Reserve Capacity Mechanism respectively, protect the market against the abuse of market power and provide a level of price certainty.

Each year the IMO incurs consultancy costs of around \$58,000 to review the EPL and \$66,000 to review the MRCP and these processes also require significant effort from IMO staff. In addition, the Economic Regulation Authority (ERA) and Market Participants also incur costs associated with these annual reviews.

The IMO notes that most of the input parameters that are used to calculate these prices do not change significantly on an annual basis¹. The IMO therefore considers that the costs and the price uncertainties for the Market Participants associated with an annual review of the EPL and MRCP are not commensurate with the benefits.

¹ Historically, the changes affecting the EPL and MRCP have been associated with changes to the methodology used to calculate the input parameters rather than the input parameters themselves.

The IMO also considers that a change to a less frequent revision of the EPL and MRCP would not affect their effectiveness in reducing the abuse of market power and would increase the regulatory certainty for Market Participants.

The IMO therefore proposes to amend the Market Rules to move to a five yearly review of the EPL and MRCP and index the prices on an annual basis between revisions. This is expected to reduce the IMO's consultancy costs by around \$500,000 over each five year period and would also result in a reduction in the IMO's workload.

The IMO has also taken the opportunity to improve the structure of these sections of the Market Rules and more clearly articulate the process that the IMO follows with respect to the calculation and revision of the EPL and MRCP.

Proposed Amendments

Issue 1: Improved Clarity of the Description of the Prices

The Market Rules are currently not particularly clear with respect to what the IMO is calculating and for what purpose it is calculating the MRCP and EPL.

The MRCP is currently defined as the price calculated in clause 4.16. This section of the Market Rules currently provides the MRCP at market start and provides obligations in the IMO to undertake a review in accordance with the relevant Market Procedure. However, it does not provide an explanation of what the MRCP is or how it is calculated.

The definitions of the Energy Price Limits are equally unclear. The definitions for the Maximum STEM Price and Alternative Maximum STEM Price refer to prices calculated in section 6.20 of the Market Rules. The clause that described the Maximum STEM Price then refers to the price determined in the annual review and approved by the ERA. The definition for the Alternative Maximum STEM Price refers to clause 6.20.3 of the Market Rules which contains superseded calculations and a reference to the monthly indexation of the price determined in the annual review to the oil price.

The definition of the Minimum STEM Price only notes that it is set to \$1,000.

The IMO proposes to amend clauses 4.16.1 and 6.20.1 of the Market Rules and the definitions for the Maximum Reserve Capacity Price, Maximum STEM Price, Alternative Maximum STEM Price and Minimum STEM Price in the Glossary of the Market Rules to more clearly articulate what the EPL and MRCP are and their purpose.

The IMO also proposes to introduce a new clause 4.16.1A and amend clause 6.20.2 of the Market Rules to clarify that the applicable price is the most recently updated or revised price published by the IMO following the annual indexation, a five yearly review or in-period review as applicable.

Issue 2: Removal of the Annual Review and Introduction of Five Yearly Review

The IMO proposes to amend the Market Rules to move to a five yearly review of the EPL and MRCP to reduce the costs associated with the current annual review. This is on the basis that the reviews cost approximately \$125,000 per annum (excluding IMO staff costs, ERA costs and Market Participant costs) and the various input parameters of these prices do not vary significantly on an annual basis. The IMO therefore considers that benefits associated with the annual review of the EPL and MRCP are not commensurate with the benefits.

To implement a five yearly review cycle, the IMO proposes to delete the requirements in clauses 4.16.3(b) and 6.20.6 of the Market Rules under which the IMO must undertake an

annual review of the MRCP and the EPL respectively, and amend clauses 4.16.4 and 6.20.3 of the Market Rules, to require the IMO to review these prices at least once in every five year period.

The IMO proposes to include obligations in the Market Rules that outline the five yearly review process as follows:

- the IMO completes a review of the methodology;
- the IMO prepares a report containing the:
 - methodology used to determine the proposed revised price(s);
 - details of how it arrived at the proposed methodology;
 - details of how it has arrived at the values of the input parameters; and
 - a proposed revised value for the proposed revised price(s);
- the IMO published the report on the Market Web Site and in a Western Australian newspaper and requests submissions during a six week consultation period;
- following submissions, the IMO updates the report as applicable and provides it, together with the submissions received to the ERA for review and approval of the price(s); and
- once the ERA has approved the price(s) the IMO publishes the updated, approved report on the Market Web Site and the price(s) become effective at the time and date specified in the report.

The proposed five yearly review process is proposed to be outlined in the amended clauses 4.16.5, 4.16.6, 4.16.7, 4.16.8, 6.20.7, 6.20.8, 6.20.9 and 6.20.10 of the Market Rules. These proposed amended clauses outline the IMO's obligations with respect to documenting the methodology, input parameters and proposed amended values and undertaking consultation with regard to the review. The IMO considers that these proposed amended clauses will also increase the transparency and clarity with respect to the review process. The IMO also proposes to delete clause 6.20.11 which will no longer be required.

The IMO also proposes to amend clause 2.26.3 to better identify the ERA's obligations with respect to its review and approval under clause 2.26.1 of the Market Rules.

Issue 3: Removal of Market Procedure for Maximum Reserve Capacity Price

Currently under clause 4.16.3 of the Market Rules, the IMO must develop a Market Procedure documenting the methodology it uses and the process it follows to determine the MRCP. The IMO notes that following each review of the methodology, the Market Procedure must be updated where there have been changes.

While the IMO considers that documenting the methodology that must be followed with respect to a review of the MRCP is useful, its documentation in a Market Procedure is inefficient. Following each change to the methodology, the IMO must develop a Procedure Change Proposal to update the Market Procedure to document the changes. This updated Market Procedure may only be used once to calculate the price before it is updated again. The IMO considers that the process could be streamlined by documenting the methodology in the report, which is consulted on and provided to the ERA for consideration and approval of the price.

The IMO notes that the revision of the MRCP should directly follow on from a review of the methodology. The IMO considers that the coupling of the review of the methodology and the revision of the price(s) in the same report will reduce the effort and costs associated with the process for the IMO, the ERA and Market Participants. The IMO also notes that the price outcome is useful to inform the assessment of the methodology.

The IMO therefore proposes to remove the obligations in existing clauses 2.26.3 and 4.16.3 of the Market Rules and locate the obligations to undertake the methodology review, with the determination of the price, in the proposed amendments to clause 4.16.4 and 6.20.5 of the Market Rules discussed under Issue 2.

Issue 4: Introduction of Price Indexation

The IMO proposes to index the Maximum STEM Price, Alternative Maximum STEM Price and MRCP in each year where the price isn't revised in accordance with a five yearly review or in-period review. This will ensure that these prices change in accordance with regular price movements and account for inflation and changes in exchange rates associated with costs in the sector. The IMO proposes to annually index the Maximum STEM Price, Alternative Maximum STEM Price and MRCP to the Producer Price Index² (Preliminary, Total) on the basis that both the Maximum STEM Price and the Alternative Maximum STEM Price historically have correlated to the Producer Price Index³.

To effect the annual indexation, the IMO proposes to amend clauses 4.16.3 and 6.20.3 of the Market Rules to introduce an equation to provide an annual indexation of the MRCP and EPL to the Producer Price Index in order to account for the changes in costs over the proposed review period.

The IMO notes that the fuel cost component of the Alternative Maximum STEM Price is currently indexed to the oil price as discussed under Issue 5. The IMO has therefore drafted the proposed amended clause 6.20.5 of the Market Rules in such a way that the different indexations are clear and are not double counted with respect to the fuel cost component.

Issue 5: Clarifying the Calculation of the Energy Price Limits

Currently, clause 6.20.3 of the Market Rules describes the monthly indexation of the Alternative Maximum STEM Price in words, and references the calculated price to the price at market start. The IMO proposes to clarify the calculation by articulating it as a formula and removing the redundant references. The IMO also proposes to move the monthly indexation of the Alternative Maximum STEM Price from clause 6.20.3 and include this in clause 6.20.4 of the Market Rules to improve the logical sequencing of the obligations with respect to the process.

The IMO proposes to structure the proposed amended clauses 6.20.3 and 6.20.4 of the Market Rules to clearly articulate how each EPL is indexed and distinguish between the annual (clause 6.20.3) and monthly (clause 6.20.4) indexation of the Alternative Maximum STEM Price to ensure that the indexation is not double counted.

Currently, clause 6.20.3 of the Market Rules requires the IMO to use the Singapore Gas Oil (0.5% sulphur) price or another suitable published price as determined by the IMO to index the fuel cost component of the Alternative Maximum STEM Price. The IMO notes that the

² The Producer Price Index (Cat No. 6427.0) is published quarterly by the Australian Bureau of Statistics. The IMO proposes to use the annual percentage change of the Preliminary, Total Index which is derived based on the prices of both the domestic and imported products consumed as inputs into intermediate demand items.

³ It should be noted that a meaningful analysis with respect to the correlation between the MRCP and the PPI cannot be made due to the significant changes in the MRCP resulting from changes to the methodology used to calculate the various input parameters used to calculate the MRCP.

Singapore Gas Oil price is no longer traded in sufficiently large volumes to provide a meaningful indexation. As such, the IMO currently uses the Perth Net Ex Terminal Price for diesel which the IMO calculates by taking the Perth Terminal Gate Price and removing GST and excise⁴. The IMO proposes to change the reference to the oil price used to index the fuel cost component of the Alternative Maximum STEM Price to the Perth Net Ex Terminal Price in the proposed amended clause 6.20.3 and 6.20.4 of the Market Rules.

Clause 6.20.7 of the Market Rules currently requires the IMO to calculate the Maximum STEM Price or Alternative Maximum STEM Price in accordance with the explicit formula: $(1 + \text{Risk Margin}) \times (\text{Variable O\&M} + (\text{Heat Rate} \times \text{Fuel Cost})) / \text{Loss Factor}$. The IMO considers that, similar to the requirement for determining the MRCP discussed under Issue 3, the report containing the proposed revised values should also outline the methodology and input parameters used in the calculation of the relevant EPL, rather than the Market Rules. This will ensure that the Market Rules are principles-based to the extent possible. On this basis, the IMO proposes to remove the calculation in clause 6.20.7 of the Market Rules and include a list of factors that the IMO must consider when calculating the EPL in the proposed amended clause 6.20.5 of the Market Rules.

Further, the IMO notes that the inclusion of a risk margin is not necessary because the concept of the risk margin as currently applied in the EPL calculation is explicitly included in the proposed amended descriptions of the Maximum STEM Price and Alternative Maximum STEM Price in clause 6.20.1. The IMO proposes to amend clause 6.20.1 to state that the EPL is calculated such that the short run average cost is recovered 80 percent of the time. The IMO therefore proposes to remove the risk margin from the list of factors proposed to be included in clause 6.20.5 to replace the explicit formula in the existing clause 6.20.7 of the Market Rules.

Issue 6: Introduction of an In-Period Review to Account for Significant Changes

As the IMO is proposing to extend the period between reviews of the EPL and MRCP, the IMO also proposes to introduce the ability for the IMO to revise the EPL and MRCP outside of the five yearly review cycle. The IMO considers that this will eliminate any risk that the prices become un-representative of the input parameters for any reason.

The IMO proposes amendments to clauses 4.16.9 and 6.20.6 of the Market Rules to enable the IMO to undertake an in-period review of the EPL and MRCP. The IMO has also proposed amendments to clauses 4.16.10, 4.16.11, 4.16.12, 4.16.13, 6.20.7, 6.20.8, 6.20.9 and 6.20.10 in order to outline the process of the proposed in-period review. The in-period review process will follow the same process as the five yearly review except that the in-period review is not proposed to include a review of the MRCP methodology.

Issue 7: Remove the Explicit Ability for the IMO to Undertake Further Consultation

The proposed Amending Rules allow the IMO to undertake further consultation without the explicit discretion such as that provided under clause 6.20.9A of the Market Rules. The IMO therefore proposes to delete clause 6.20.9A of the Market Rules.

Issue 8: Other Minor Amendments

The IMO has taken the opportunity to correct typographical errors in clauses 2.26.3, 4.16.6 and 4.16.9 of the Market Rules and correct a cross-reference in clause 4.1.19 of the Market Rules.

⁴ For further information see the 2014 Energy Price Limits Review, available at: <http://www.imowa.com.au/rules/other-wem-consultation-documents/2014-energy-price-limits-review>.

Reviewable Decisions and Protected Provisions

The IMO notes that the clauses in section 4.16 and clause 4.1.19 are Protected Provisions under clause 2.8.13 of the Market Rules. Therefore, under clause 2.8.3 of the Market Rules, the proposed Amending Rules in this Rule Change Proposal must be approved by the Minister.

The proposed amendments in this Rule Change Proposal do not affect civil penalties or reviewable decisions.

The IMO will engage with the Public Utilities Office to progress the proposed amendments.

2. Explain the reason for the degree of urgency:

The IMO notes that the proposed amendments include an alignment of the five yearly review of the MRCP with the respective five yearly review of the methodology in order to maximise the benefit of these proposed amendments. The IMO therefore proposes to process this Rule Change Proposal with medium urgency to enable the proposed Amending Rules to commence prior to the next revision of the MRCP methodology which is due by the end of 2016.

3. Provide any proposed specific changes to particular Rules: (for clarity, please use the current wording of the Rules and place a ~~strikethrough~~ where words are deleted and underline words added)

2.26.3. The Economic Regulation Authority must review the methodology for setting the Maximum Reserve Capacity Price and the Energy Price Limits not later than the fifth anniversary of the first Reserve Capacity Cycle and, subsequently, not later than the fifth anniversary of the completion of the preceding review under this clause 2.26.3. -A review must examine:

...

(f) the appropriateness of the parameters and methodology used to determine a revised Maximum Reserve Capacity Price under either in-clauses 4.16.4 or 4.16.9 and the Market Procedure referred to in clause 4.16.3 for ~~recalculating the Maximum Reserve Capacity Price;~~

(g) the appropriateness of the parameters and methodology used to determine the Energy Price Limits under either in-clause 6.20.5 or 6.20.6 for recalculating the Energy Price Limits;

...

...

4.1.19. The IMO must commence a review of the Maximum Reserve Capacity Price as required by clause 4.16.34 with the objective of completing the review, including consideration of public submissions in relation to that review, so as to allow a reasonable time for the Economic Regulation Authority to approve any proposed change in value and for that value to be implemented prior to the date and time specified in clause 4.1.4 that relates to the following Reserve Capacity Cycle.

...

4.16.1. ~~For all Reserve Capacity Cycles, the IMO must publish a Maximum Reserve Capacity Price as determined in accordance with this clause 4.16 prior to the time specified in clause 4.1.4. The Maximum Reserve Capacity Price represents the maximum price at which Market Participants can offer Reserve Capacity in the Reserve Capacity Auction.~~

4.16.1A. For each Reserve Capacity Cycle, prior to the time specified in clause 4.1.4 for the advertisement of the Request for Expressions of Interest, the IMO must publish a revised or updated Maximum Reserve Capacity Price following:

- (a) an update of the Maximum Reserve Capacity Price under 4.16.3;
- (b) a review of the Maximum Reserve Capacity Price under clause 4.16.4; or
- (c) a review of the Maximum Reserve Capacity Price under clause 4.16.9.

...

~~4.16.3 The IMO must develop a Market Procedure documenting the methodology it uses and the process it follows in determining the Maximum Reserve Capacity Price, and:~~

- ~~(a) the IMO and Rule Participants must follow that documented Market Procedure when conducting any review and consultations in accordance with that Market Procedure and clause 4.16.6; and~~
- ~~(b) the IMO must follow the documented Market Procedure to annually review the value of the Maximum Reserve Capacity Price in accordance with this clause 4.16 and in accordance with the timing requirements specified in clause 4.1.19.~~

4.16.3. For every Reserve Capacity Cycle where the IMO does not undertake a review under either clause 4.16.4 or 4.16.9, the IMO must update the Maximum Reserve Capacity Price by escalating the previous year's Maximum Reserve Capacity Price using the following calculation:

$$MRCP(u) = MRCP(u - 1) \times \frac{PPI(u)}{PPI(u - 1)}$$

Where:

- *u* is the Reserve Capacity Cycle this update relates to;
- *MRCP(n)* is the Maximum Reserve Capacity Price for the Reserve Capacity Cycle *n*; and
- *PPI(n)* is the Producer Price Index for total Preliminary Demand for the most recent December quarter prior Year 1 of Reserve Capacity Cycle *n*, as published by the Australian Bureau of Statistics, or another suitable published price index as determined by the IMO.

- 4.16.4. ~~[Blank]~~At least once in every five year period, the IMO must review the methodology used to determine the Maximum Reserve Capacity Price as outlined in the report for the previous review of the Maximum Reserve Capacity Price published under clause 4.16.8(b) and must revise the Maximum Reserve Capacity Price accordingly.
- 4.16.5. ~~The IMO must propose a revised value for the Maximum Reserve Capacity Price using the methodology described in the Market Procedure referred to in clause 4.16.3.~~In conducting the review required under clause 4.16.4, the IMO must prepare a report providing:
- (a) the proposed methodology to be used to determine the Maximum Reserve Capacity Price;
 - (b) details of how it has arrived at the proposed revised methodology to determine the Maximum Reserve Capacity Price;
 - (c) details of how it has arrived at the values of the input parameters that are applied under the proposed methodology to determine the Maximum Reserve Capacity; and
 - (d) a proposed revised value for the Maximum Reserve Capacity Price.
- 4.16.6. ~~The IMO must prepare a draft report describing how it has arrived at a proposed revised value for the Maximum Reserve Capacity Price under clause 4.16.5.~~The IMO must publish the report prepared in accordance with clause 4.16.5 on the Market Web Site Web Site and advertise publish a public notice of the publication of the report in a newspapers widely distributed in Western Australia and request submissions within six weeks of the date of publication, from all sectors of the Western Australian public energy industry, including end users.
- 4.16.7. ~~After considering of the submissions on the draft report described in clause 4.16.6 the IMO must propose a final revised value for the Maximum Reserve Capacity Price and publish that value and its final report, including submissions received on the draft report on the Market Web Site.~~The IMO must update the report prepared in accordance with clause 4.16.5 as required after considering all submissions received on the report. The IMO must provide all submissions received on the report and the updated report to the Economic Regulation Authority with the request for approval of the proposed revised value for the Maximum Reserve Capacity Price as required by clause 2.26.1.
- 4.16.8. ~~A proposed revised value for the Maximum Reserve Capacity Price becomes the Maximum Reserve Capacity Price after the IMO has posted a notice on the Market Web Site of the new value of the Maximum Reserve Capacity Price with effect from the time specified in the IMO's notice.~~A proposed revised value for the Maximum Reserve Capacity Price becomes the Maximum Reserve Capacity Price with effect from the time specified in the report published under clause 4.16.8(b), when:

- (a) the Economic Regulation Authority has approved that value in accordance with clause 2.26.1; and
 - (b) the IMO has published the updated report on the review of the Maximum Reserve Capacity Price, being the report provided to the Economic Regulation Authority under clause 4.16.7, on the Market Web Site.
- 4.16.9. At least once in every five year period, the IMO must review the Market Procedure referred to in clause 4.16.3 and must undertake a public consultation process in respect of the outcome of the review. The IMO may review the Maximum Reserve Capacity Price at any time where:
 - (a) there is a change to any of the input parameters used to determine the Maximum Reserve Capacity Price in accordance with the methodology as described in the report for the previous review of the Maximum Reserve Capacity Price published under clause 4.16.8(b), and
 - (b) the change to the input parameter would lead to a significant change of the Maximum Reserve Capacity Price.
- 4.16.10. In conducting a review under clause 4.16.9, the IMO must determine the Maximum Reserve Capacity Price using the methodology as described in the report for the previous review of the Maximum Reserve Capacity Price published under clause 4.16.8(b) and must prepare a new report providing:
 - (a) details of how it has arrived at the values of the input parameters that are applied under the methodology to determine the Maximum Reserve Capacity Price; and
 - (b) a proposed revised value for the Maximum Reserve Capacity Price.
- 4.16.11. The IMO must publish the report prepared in accordance with clause 4.16.10 on the Market Web Site and publish a public notice of the publication of the report in a newspaper widely distributed in Western Australia and request submissions within six weeks of the date of publication, from all sectors of the Western Australian public.
- 4.16.12. The IMO must update the report required by clause 4.16.10 as required after considering all submissions received on the report. The IMO must provide all submissions received on the report and the updated report to the Economic Regulation Authority with the request for approval of the proposed revised value for the Maximum Reserve Capacity Price as required by clause 2.26.1.
- 4.16.13. A proposed revised value for the Maximum Reserve Capacity Price becomes the Maximum Reserve Capacity Price with effect from the time specified in the report published under clause 4.16.13(b), when:
 - (a) the Economic Regulation Authority has approved that value in accordance with clause 2.26.1; and

(b) the IMO has published the updated report on the review of the Maximum Reserve Capacity Price, being the report provided to the Economic Regulation Authority under clause 4.16.12, on the Market Web Site.

...

6.20.1. The Energy Price Limits are:

- (a) the Maximum STEM Price, which represents the maximum price at which a Market Participant can offer the generation capacity of a Registered Facility to be run on non-liquid fuels in the STEM and the Balancing Market. The Maximum STEM Price is based on the price at which the highest cost 40 MW open cycle gas turbine fuelled by natural gas can recover its short run average costs 80 percent of the time, considering only dispatch cycles up to six hours.
- (b) the Alternative Maximum STEM Price, which represents the maximum price at which a Market Participant can offer the generation capacity of a Registered Facility to be run on liquid fuels in the STEM and the Balancing Market. The Alternative Maximum STEM Price is based on the price at which the highest cost 40 MW open cycle gas turbine fuelled by distillate can recover its short run average costs 80 percent of the time, considering only dispatch cycles up to six hours.
- (c) the Minimum STEM Price, represents the minimum price at which Market a Participant can offer the generation capacity of a Registered Facility in the STEM and the Balancing Market. The Minimum STEM Price is negative \$1,000.00 per MWh.

6.20.2. ~~The Maximum STEM Price is the value published on the Market Web Site and revised in accordance with clauses 6.20.6 and 6.20.11. At least once every year, the IMO must publish an updated or revised Maximum STEM Price and Alternative Maximum STEM Price, effective from 8:00 AM on 1 July as determined in accordance with either clause 6.20.3, 6.20.5 or 6.20.6 at least five Business Days before it becomes effective.~~

~~6.20.3. Subject to clause 6.20.11, the Alternative Maximum STEM Price is to equal:~~

- ~~(a) from 8 AM on September 1, 2006, \$480/MWh; and~~
- ~~(b) from 8 AM on the first day of each subsequent month the sum of:
 - ~~i. \$440/MWh multiplied by the amount determined as follows:
 - ~~1. the average of the Singapore Gas Oil (0.5% sulphur) price, expressed in Australian dollars, for the three months ending immediately before the preceding month as published by the International Energy Agency in its monthly Oil Market Report, or the average of another suitable published price as determined by the IMO, divided by;~~~~~~

2. ~~the average of the Singapore Gas Oil (0.5% sulphur) price, expressed in Australian dollars, for May, June and July 2006 or, if a revised Alternative Maximum STEM Price takes effect in accordance with clause 6.20.11, for the three months ending immediately before the month preceding the month in which the revised Alternative Maximum STEM Price takes effect, as published by the International Energy Agency in its monthly Oil Market Report, or the average of another suitable published price as determined by the IMO; and~~
- ii ~~from 8 AM on September 1, 2006, to 8 AM on 1 September, 2007, \$40/MWh, and for each subsequent 12-month period \$40/MWh multiplied by the CPI for the June quarter of the relevant 12-month period divided by CPI for the 2006 June quarter or, if a revised Alternative Maximum STEM Price takes effect in accordance with clause 6.20.11, the June quarter of the year in which the revised Alternative Maximum STEM Price takes effect, where CPI is the weighted average of the Consumer Price Index All Groups value of the eight Australian State and Territory capital cities as determined by the Australian Bureau of Statistics;~~

~~rounded to the nearest whole dollar, where a half dollar is rounded up, with the exception that from the date and time that a revised Alternative Maximum STEM Price takes effect in accordance with clause 6.20.11, the revised values supersede the values in 6.20.3(b)(i) and 6.20.3(b)(ii), and are to be the values used in calculating the Alternative Maximum STEM Price for each month subsequent to the month in which the revised Alternative Maximum STEM Price takes effect.~~

6.20.3. Each year where the IMO does not undertake a review under either clause 6.20.5 or 6.20.6, the IMO must update the Energy Price Limits to be effective from 8:00 AM on 1 July and publish each updated price on the Market Web Site five Business Days before it becomes effective. The prices must be escalated by using the following calculations:

(a) for the Maximum STEM Price:

$$\text{Maximum STEM Price}(u) = \text{Maximum STEM Price}(p) \times \frac{PPI(u)}{PPI(p)}$$

Where:

- *u* is the date, this update is becoming effective;
- *p* is the date where the current Maximum Stem price became effective;
- *Maximum STEM Price*(*n*) is the Maximum STEM Price effective from the date *n* on; and
- *PPI*(*n*) is the value of the Producer Price Index for total Preliminary Demand for the most recent quarter which ended two month before the date *n*, as published by the

Australian Bureau of Statistics, or another suitable published price index as determined by the IMO; and

(b) for the Alternative Maximum STEM Price:

$$\text{AltMax STEM Price}(u) = \text{Non Fuel}(u) + \text{Fuel}(u)$$

Where:

- AltMaxSTEM Price(n) is the Alternative Maximum STEM Price effective from the date n;
- Non Fuel(n) is the non fuel component as calculated for the Alternative Maximum STEM Price effective from date n;
- Fuel(n) is the fuel component as calculated for the Alternative Maximum STEM Price effective from date n;
- u is the effective date of this update;
- r is the effective date of the most recent review or update of the Alternative Maximum STEM Price under either clause 6.20.3, 6.20.5 or 6.20.6;
- Non Fuel(u) = Non Fuel(r) × $\frac{PPI(u)}{PPI(r)}$; and
- Fuel(u) = Fuel(r) × $\left(1 + \frac{\text{Oil Price}(u)}{\text{Oil Price}(r)}\right)$

Where:

- PPI(n) is the value of the Producer Price Index for total Preliminary Demand for the most recent full quarter which ended two months before the date n, as published by the Australian Bureau of Statistics, or another suitable published price index as determined by the IMO; and
- Oil Price(n) is the average of the Perth Diesel Terminal Gate Price excluding the GST, for the three full, consecutive months published the month before the date n, as published by the Australian Institute of Petroleum, or another suitable price as determined by the IMO.

6.20.4. [Blank]Every month, where the Alternative Maximum STEM Price is not updated or revised under either clause 6.20.3, 6.20.5 or 6.20.6, the IMO must update the Alternative Maximum STEM Price to be effective from 8:00 AM on the first day of the month, and publish the updated price on the Market Web Site five Business Days before it becomes effective. The updated Alternative Maximum STEM Price must be calculated as:

$$\text{AltMax STEM Price}(u) = \text{Non Fuel}(r) + \text{Fuel}(u)$$

Where:

- AltMaxSTEM Price(n) is the Alternative Maximum STEM Price effective from the date n;

- Non Fuel(n) is the non fuel component as calculated for the Alternative Maximum STEM Price effective from date n;
- Fuel(n) is the fuel component as calculated for the Alternative Maximum STEM Price effective from date n;
- u is the effective date of this update;
- r is the effective date of the most recent review or update of the Alternative Maximum STEM Price under either clause 6.20.3, 6.20.5 or 6.20.6;
- p is the date where the current Alternative Maximum STEM Price became effective; and
- $$Fuel(u) = Fuel(r) \times \left(1 + \frac{Oil\ Price(u)}{Oil\ Price(p)}\right)$$

Where:

- PPI(n) is the value of the Producer Price Index for total Preliminary Demand for the most recent full quarter which ended two months before the date n, as published by the Australian Bureau of Statistics, or another suitable published price index as determined by the IMO; and
- Oil Price(n) is the average of the Perth Diesel Terminal Gate Price excluding the GST, for the three full, consecutive months published the month before the date n, as published by the Australian Institute of Petroleum, or another suitable price as determined by the IMO.

6.20.5. ~~[Blank]~~ Once in every five year period, the IMO must review the Maximum STEM Price and the Alternative Maximum STEM Price and calculate the applicable short run average cost by:

(a) considering the appropriate values for the following input parameters for the Facility used to calculate the applicable Energy Price Limit:

- i. variable operating and maintaining costs, which must include start-up costs;
- ii. mean heat rate at minimum generation capacity ;
- iii. mean unit fixed fuel cost;
- iv. variable fuel cost; and
- v. Loss Factor relative to the Reference Node; and

(b) expressing the Alternative Maximum STEM Price as follows:

$$\underline{Alternative\ Maximum\ STEM\ Price = Non\ Fuel + Fuel}$$

Where:

- Non Fuel is the sum of all components used to calculate the Alternative Maximum STEM Price which are not substantially

affected by changes in the fuel price, and is adjusted by the Loss Factor; and

- Fuel is the sum of all components used to calculate the Alternative Maximum STEM Price which are substantially affected by changes in the fuel price, and is adjusted by the Loss Factor.

6.20.6. ~~The IMO must annually review the appropriateness of the value of the Maximum STEM Price and Alternative Maximum STEM Price.~~The IMO may review the Energy Price Limits at any time, where:

- (a) there is a change to any of the input parameters used to calculate any of the Energy Price Limits in accordance with the methodology outlined in the most current final report published under clause 6.20.10(b); and
- (b) this change would lead to a significant change of any of the Energy Price Limits.

6.20.7 ~~In conducting the review required by clause 6.20.6 the IMO:~~

- ~~(a) may propose revised values for the following:~~
 - ~~i. the Maximum STEM Price, where this is to be based on the IMO's estimate of the short run marginal cost of the highest cost generating works in the SWIS fuelled by natural gas and is to be calculated using the formula in paragraph (b); and~~
 - ~~ii. the Alternative Maximum STEM Price, where this is to be based on the IMO's estimate of the short run marginal cost of the highest cost generating works in the SWIS fuelled by distillate and is to be calculated using the formula in paragraph (b);~~
- ~~(b) must calculate the Maximum STEM Price or Alternative Maximum STEM Price using the following formula:~~

$$\text{(1 + Risk Margin)} \times \text{(Variable O\&M + (Heat Rate} \times \text{Fuel Cost)) / Loss Factor}$$

~~Where~~

- ~~i. Risk Margin is a measure of uncertainty in the assessment of the mean short run average cost for a 40 MW open cycle gas turbine generating station, expressed as a fraction;~~
- ~~ii. Variable O&M is the mean variable operating and maintenance cost for a 40 MW open cycle gas turbine generating station, expressed in \$/MWh, and includes, but is not limited to, start-up related costs;~~
- ~~iii. Heat Rate is the mean heat rate at minimum capacity for a 40 MW open cycle gas turbine generating station, expressed in GJ/MWh;~~

- iv. ~~Fuel Cost is the mean unit fixed and variable fuel cost for a 40 MW open cycle gas turbine generating station, expressed in \$/GJ; and~~
- v. ~~Loss Factor is the marginal loss factor for a 40 MW open cycle gas turbine generating station relative to the Reference Node.~~

~~Where the IMO must determine appropriate values for the factors described in paragraphs (i) to (v) as applicable to the Maximum STEM Price and Alternative Maximum STEM Price.~~

6.20.7. In conducting a review under either clause 6.20.5 or 6.20.6, the IMO must prepare a report providing:

- (a) the methodology used to determine the Maximum STEM Price and Alternative Maximum STEM Price in accordance with clause 6.20.3;
- (b) details of how it has arrived at the values of the input parameters described in clause 6.20.3 that are applied under the methodology to determine the Maximum STEM Price and Alternative Maximum STEM Price; and
- (c) a proposed revised value for the Maximum STEM Price and Alternative Maximum STEM Price.

6.20.8. ~~{Blank}~~The IMO must publish the report prepared in accordance with clause 6.20.7 on the Market Web Site and publish a public notice of the publication of the report in a newspapers widely distributed in Western Australia and request submissions for a period of six weeks from the date of publication, from all sectors of the Western Australian public.

6.20.9. In conducting the review required by clause 6.20.6 the IMO must prepare a draft report describing how it has arrived at a proposed revised value of an Energy Price Limit. The draft report must also include details of how the IMO determined the appropriate values to apply for the factors described in clause 6.20.7 (b)(i) to (v). The IMO must publish the draft report on the Market Web Site and advertise the report in newspapers widely published in Western Australia and request submissions from all sectors of the Western Australia energy industry, including end-users, within six weeks of the date of publication. The IMO must update the report required by clause 6.20.6 as required after considering all submissions received on the report. The IMO must provide all submissions received on the report and the updated report to the Economic Regulation Authority with the request for approval of the proposed revised values for the Maximum STEM Price and Alternative Maximum STEM Price as required by clause 2.26.1.

6.20.9A. Prior to proposing a final revised value to an Energy Price Limit in accordance with clause 6.20.10, the IMO may publish a request for further submissions on the Market Web Site. Where the IMO publishes a request for further submissions in accordance with this clause, it must request submissions from all sectors of the Western Australia energy industry, including end-users.

~~6.20.10. After considering the submissions on the draft report described in clause 6.20.9, and any submissions received under clause 6.20.9A, the IMO must propose a final revised value for any proposed change to an Energy Price Limit and submit those values and its final report, including any submissions received, to the Economic Regulation Authority for approval. A proposed revised price for any Energy Price Limit replaces the previous price with effect from the time specified in the report published under clause 6.20.10(b), when:~~

~~(a) the Economic Regulation Authority has approved that value in accordance with clauses 2.26.1; and~~

~~(b) the IMO has published the updated report on the review of the Energy Price Limits, being the report provided to the Economic Regulation Authority under clause 6.20.9, on the Market Web Site.~~

~~6.20.11. A proposed revised value for any Energy Price Limit replaces the previous value after:~~

~~(a) the Economic Regulation Authority has approved that value in accordance with clause 2.26; and~~

~~(b) the IMO has posted a notice on the Market Web Site of the new value of the applicable Energy Price Limit,~~

~~with effect from the time specified in the IMO's notice.~~

...

Glossary

...

Alternative Maximum STEM Price: ~~The maximum price at which a Market Participant can offer the generation capacity of a Registered Facility to be run on liquid fuels in the STEM and the Balancing Market and determined in accordance with clause 6.20, set in accordance with clause 6.20.3 that may be associated with a Portfolio Supply Curve for a portfolio including Facilities expected to run on Liquid Fuel or any Portfolio Demand Curve forming part of a STEM Submission or Standing STEM Submission.~~

...

Maximum Reserve Capacity Price: ~~In respect of a given Reserve Capacity Cycle, the maximum price for Reserve Capacity offered into the Reserve Capacity Auction and determined in clause 4.16.2 as revised in accordance with clause 4.16.~~

Maximum STEM Price: ~~The maximum price at which a Market Participant can offer the generation capacity of a Registered Facility to be run on non-liquid fuels in the STEM and the Balancing Market and determined in accordance with clause 6.20, determined in accordance with clause 6.20.2 as the maximum price that may be associated with a Portfolio Supply~~

~~Curve for a portfolio including no Facilities expected to run on Liquid Fuel forming part of a STEM Submission or Standing STEM Submission.~~

...

Minimum STEM Price: The minimum price at which a Market Participant can offer the generation capacity of a Registered Facility in the STEM and the Balancing Market and is set to ~~Means~~-negative \$1,000.00 per MWh.

...

4. Describe how the proposed Market Rule change would allow the Market Rules to better address the Wholesale Market Objectives:

The IMO considers that the proposed amendments will better address Wholesale Market Objectives (a) and (d):

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system; and
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system.

The proposed changes will decrease the IMO's costs by around \$500,000 every five years as a result of shifting from an annual cycle to a five yearly review cycle. The proposed changes would still reflect changes in the economic considerations of Market Generators due to the indexation, accounting for changed loss factors and allowing within-period revisions where significant events occur.

The IMO also considers that a change to a less frequent revision of these prices would increase regulatory certainty for Market Participants.

The IMO also considers that the proposed changes to clarify definitions, re-structure the sections of the Market Rules related to determining the MRCP and EPL and correcting minor administrative and typographical errors will provide for more transparent and accurate Market Rules.

The IMO considers that the proposed amendments would also be consistent with the remaining Wholesale Market Objectives.

5. Provide any identifiable costs and benefits of the change:

Costs:

It is likely that the IMO will incur some minor costs to implement the necessary process changes to facilitate this Rule Change Proposal. However, these costs are not expected to be significant and are included in the IMO's existing operational budget.

Benefits:

The IMO expects to make savings of around \$500,000 over each five year period, related to the engagement of external consultants to undertake various components of the EPL and

MRCP review.

The IMO also expects cost reductions for the ERA and Market Participants as the frequency of reviewing the IMO's review will be reduced.

6. Provide any identifiable issues with respect to the practicality of implementation:

The IMO notes that proposed amendments to the clauses in section 4.16 and clause 4.1.19 of the Market Rules are Protected Provisions. Under clause 2.8.3 of the Market Rules, proposed amendments to a Protected Provision require the proposed Amending Rules in this Rule Change Proposal to be approved by the Minister.

This Rule Change Proposal will result in the removal of the Market Procedure: Maximum Reserve Capacity Price. The IMO will progress the necessary Procedure Change Proposal in parallel to this Rule Change Proposal.

The IMO notes that the Rule Change Proposal: Changes to the Reserve Capacity Price and the Dynamic Reserve Capacity Refund Regime (RC_2013_20)⁵ also proposes changes to the Maximum Reserve Capacity Price. However, the IMO does not consider that this will affect the proposed changes, except to the extent that the proposal proposes to change the term Maximum Reserve Capacity Price to Benchmark Reserve Capacity Price.

⁵ Further information is available at: www.imowa.com.au/RC_2013_20.

Establishing a Criteria for an Out of Cycle Review of the Maximum Reserve Capacity Price and Energy Price Limits

Background

The Wholesale Electricity Market Rules currently require the IMO to undertake annual reviews of two key market input variables; the Energy Price Limits (EPL) and the Maximum Reserve Capacity Price (MRCP).

During its recent five yearly review of the methodology for setting these variables the Economic Regulation Authority (ERA) recommended that “*reducing the frequency of the EPL review and streamlining the review process will serve to promote greater efficiency in the market*”¹.

To implement the recommendations of the ERA the IMO put forward a discussion paper at the June 2014 Market Advisory Committee (MAC) meeting² which sought to reduce the frequency of determining the EPL and the MRCP to occurring on a 3-5 yearly basis. This amendment is considered to lead to cost reductions for the IMO in undertaking such reviews.

It was noted that the level of the MRCP and EPL can have significant market implications³. As a consequence, fixing the EPL and MRCP variables over a 3-5 year period creates a risk the variables may no longer remain reflective of underlying market conditions for the full duration of the fixed period. It is for this reason that the IMO’s proposal incorporates the discretion to revise these prices out of cycle, where the prices may become “*inappropriate for any reason*”.

While considered appropriate that the IMO has the ability to revise the EPL and MRCP on an as-needed basis, during the MAC meeting broader concerns as to when the IMO may exercise this discretion were raised. In response the IMO has requested suggestions from Synergy regarding the development of criterion for triggering a review of these variables.

Criteria for review

To the extent that the IMO progresses a Rule Change Proposal to reduce the frequency of EPL and MRCP reviews, it is considered appropriate that such a proposal contains appropriate criterion for triggering an “out of cycle review” of these variables. As such, Synergy has worked directly with Alinta Energy to develop an appropriate criterion to trigger an “out of cycle” review of the EPL and/or MRCP.

The intention has been to strike a balance between providing the IMO and participants with certainty as to when a review may occur without being overly prescriptive and potentially triggering reviews when only minor changes have occurred. On this basis the following criteria is put forward for the MAC’s further consideration and/or amendment:

The IMO should consider undertaking a review of the appropriateness of the value of the Maximum STEM Price and Alternative Maximum STEM Price/MRCP if any of the following circumstances arise in the market:

¹ ERA report, “Review of methodology for setting the Maximum Reserve Capacity Price and the Energy Price Limits in the Wholesale Electricity Market” (2014), recommendation 152, page 34.

² See agenda item 6a: [http://www.imowa.com.au/governance/market-advisory-committee-\(mac\)/2014/mac-73](http://www.imowa.com.au/governance/market-advisory-committee-(mac)/2014/mac-73)

³ This is because the MRCP is a direct determinant of the actual price paid for capacity in the market for existing generators and acts as the signal to incentivise new generation assets to enter the market. Likewise the EPLs limit the prices that occur in the energy markets, with a view to mitigating market power concerns.

- A significant economic event occurs as potentially evidenced by sustained change in any of the following variables:
 - the level of economic activity at a state, national or international level;
 - the AUD/USD exchange rate; and/or
 - distillate and/or natural gas prices.

Note that a sustained change could be defined as consecutive months or quarters of abnormal prices rise/decreases and could be outlined in an appropriate Market Procedure.

- A significant fuel supply disruption has, or is likely to lead to a sustained change in fuel prices. For example the Varanus Island incident would fall under this category.
- There has been a significant change in regulatory precedence which could change the IMO's most recent determination of the Maximum STEM Price and Alternative Maximum STEM Price/Maximum Reserve Capacity Price.
- There has been a legislative amendment which materially impacts the parameters used in setting the Maximum STEM Price and Alternative Maximum STEM Price/Maximum Reserve Capacity Price.
- Two or more Rule Participants have informed the IMO that they wish the IMO to undertake such a review. This could potentially occur in relation to the reasons listed above however the list is intended to not be exhaustive, but rather to provide some certainty to participants and the IMO as to when an out of cycle review may occur.

Where any of the events outlined above has occurred, but where the IMO determines to not undertake a review, then the IMO should inform the market as to its reasons why it has decided to not undertake such a review and these reasons should be publicly available.

Given the significant discretion as to whether to amend (or not amend) the MRCP and/or EPL out of cycle and the significant potential financial and commercial implications for participants, it is recommended that these decisions are subject to a potential merits review.

Likewise, given the IMO's stated intention to align the setting of the MRCP with the required five yearly review of the methodology for setting the MRCP it is considered that the outlined criterion should be able to trigger either event to occur earlier than required under the rules. Note that currently the IMO can review the methodology for setting the MRCP earlier than every five years if necessary.

Recommendations:

It is recommended that the MAC discuss whether:

- the identified criteria for triggering an out of cycle review of the EPL and/or MRCP is appropriate; and
- decisions by the IMO to amend (or not) the EPL and/or MRCP out of cycle should be made subject to a merits review.

**13 August 2014 MAC
Load Rejection Reserve Service
Quantity and Price Update
For Information to MAC**

By Brendan Clarke
System Management



Synopsis

The aim is present to MAC for their information

- Findings in regard to Load Rejection Reserve Service (LRRS) cost studies performed by System Management (SM)
- Heads up on a new pricing proposal for LRRS
 - Overview of Service
 - Current Services
 - Cost Study
 - Price Setting Proposal

LRRS Overview - Definition

LRRS Definition

3.9.6. Load Rejection Reserve Service is the service of holding capacity associated with a Scheduled Generator or Dispatchable Load in reserve so that:

- (a) the Scheduled Generator can reduce output rapidly; or*
 - (b) the Dispatchable Load can increase consumption rapidly,*
- in response to a sudden decrease in SWIS load.*

Sudden Decrease in SWIS Load

A decrease in load can arise from

- Customers turning off loads to meet its own needs without notice
- Customer load being turned off due to their plant having an electrical fault
- Customer load being disconnected due to a Network electrical fault
- Customer load being disconnected automatically to protect against the effect of a voltage dip

LRRS Overview - Requirement

LRRS Requirement

Sufficient LRRS must be dispatched to a sufficient level to ensure the SWIS frequency is maintained within Technical Code Limits. Frequency must:

- Not exceed 51.0hz after the contingency

- Return below 50.5hz within 2 minutes

- Return below 50.2hz within 15 minutes

LRRS Overview - Requirement



LRRS Current Level

LRRS Level

The current LRRS level is 120MW. The LRRS level is determined by examining past and forecast frequency responses after a contingency events and how these may change in the future, being

- Customer loads being disconnected due to a Network electrical fault – the level will rise in blocks as extra loads are placed on radial transmission networks, such as the Eastern Goldfields 220kV line
- Customer loads being disconnected automatically to protect against the effect of a voltage dip – level will rise slowly as transmission line faults effect larger number of customers

LRRS Cost Study

LRRS Cost Study

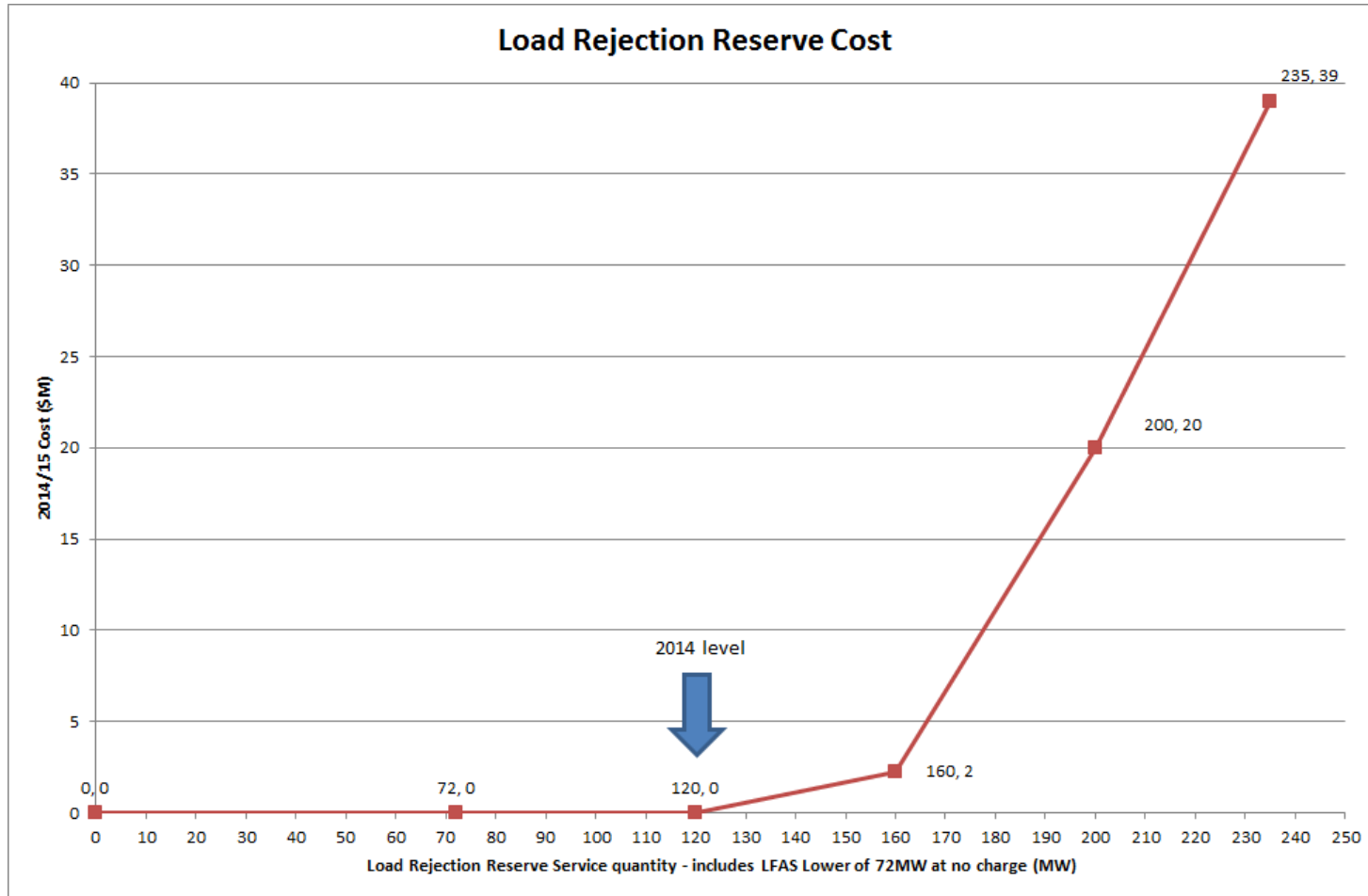
In response to Network queries around new customer load connections, System Management engaged SKM-Jacobs to conduct a study to determine the extra costs involved with providing LRRS.

A study was completed as a sensitivity to the Margin Study used to forecast the cost of spinning reserve and sets the price formulation paid to Verve for the upcoming year.

*http://www.imowa.com.au/rules/other-wem-consultation-documents/2013-margin_peak-and-margin_off-peak-review-assumptions

The need for extra LRRS means that more flexible (and more expensive) generators must be dispatched to meet the forecast load and LRRS requirement. For increased LRRS those generators with lower minimum output capabilities are preferred over those with higher minimum output capabilities.

LRRS Cost Study



LRRS Cost Study

Observations

- The current price for LRRS is cost reflective at \$0M/year for 120MW
- The current level of LRRS of 120MW is at a tipping point
- A medium load being connected to a radial transmission line (e.g. a goldmine in Kalgoorlie) can require the increase of LRRS to around 160MW, the costs being estimated at \$2M/year
- A large load being connected to a radial transmission line feeding a large load (e.g. a SIMCOA or Boddington Gold) can increase the costs to the tens of millions of dollars
- The costs are based on normal dispatch of Synergy.
- Tasmania has developed special System Protection Schemes which rapidly disconnects generators for high load rejection after the loss of the radial link to Victoria, this may be an option to explore in the WEM.

LRRS Price Setting Proposal

Price Setting Proposal

SM currently requests a three year price proposal for approval by the ERA. It may revise this on a yearly basis if there is a major change to the requirement. Under current values this is manageable.

SM believes it is more appropriate to move to a yearly price approval in line with the Spinning Reserve Pricing Approval in order to

- reduce the risk of having to rework calculations due to having to forecast LRRS levels so far in advance
- reduce overhead costs by completing both SRS and LRRS forecasts using the same assumptions and model

Next Steps - In November 2014, post EMR recommendations, check Ancillary Service Payment Approval regime. On the basis that approval regime is maintained, SM to seek rule change in early 2015 to incorporate LRRS approval into SRS approval process in time for Margin Value setting process starting 1 August 2015.



INDEPENDENT
MARKET
OPERATOR

2014/15 Operational Plan

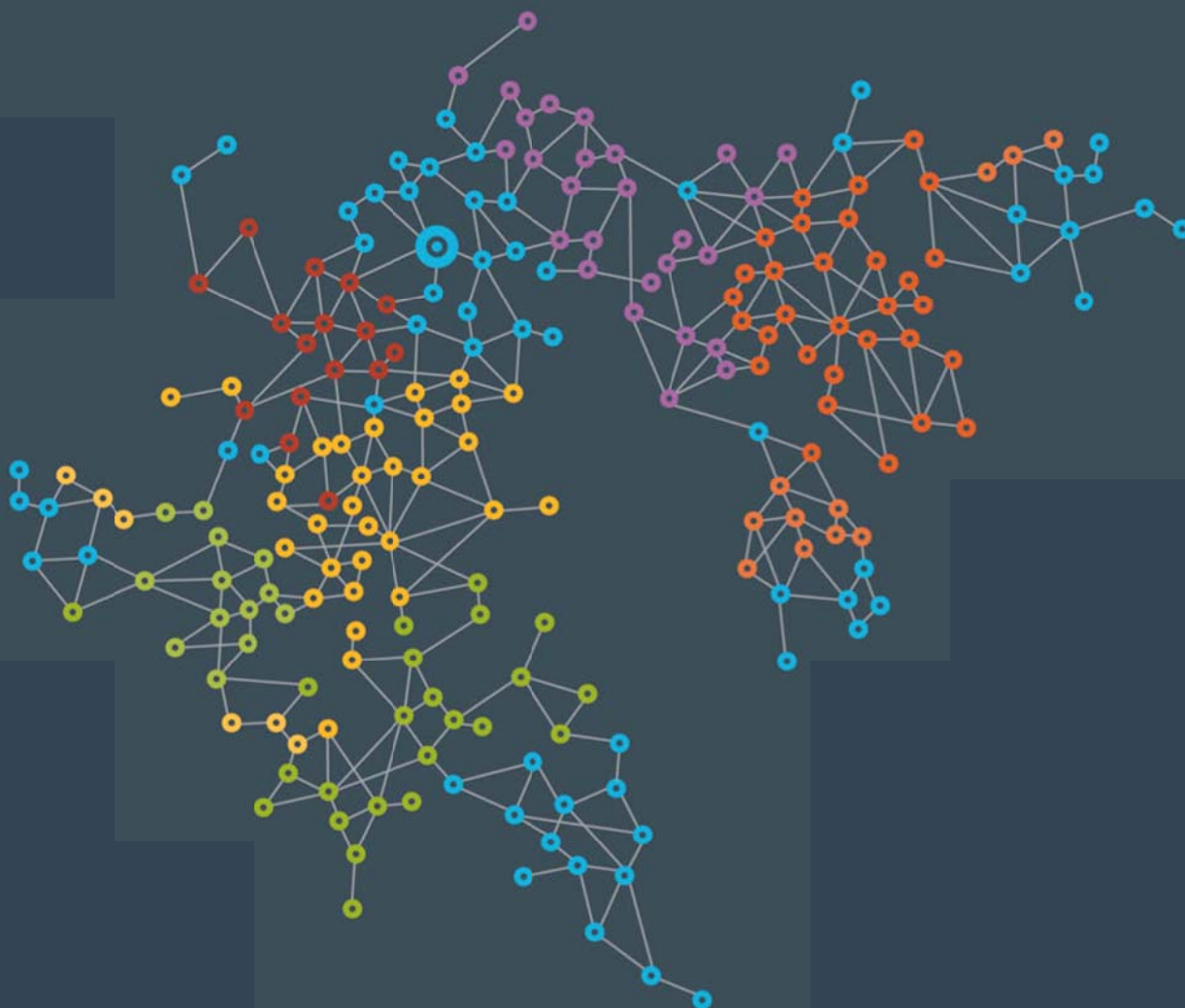


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Executive Summary

The 2014/15 year will be the eighth full year of operation by the Independent Market Operator (IMO) of the Wholesale Electricity Market (WEM) for Western Australia and the second year of operation for the Gas Services Information (GSI) functions.

Every three years, the IMO is required to submit a three year Allowable Revenue Submission to the Economic Regulation Authority (ERA) and for the first time, as a result of a rule change, a three year Forecast Capital Expenditure was also considered as part of the submission. In April 2013, the ERA determined that the IMO's WEM Allowable Revenue and Forecast Capital Expenditure should be the full amount proposed by the IMO.

In August 2013, the IMO commenced the initial operation of the Gas Services Information which was the first service outside of the WEM provided by the IMO. For the GSI, the IMO is also required to submit a three year Allowable Revenue Submission to the ERA, including Forecast Capital Expenditure. In November 2013, the ERA determined that the IMO's GSI Allowable Revenue and Forecast Capital Expenditure should be the full amount proposed by the IMO.

2014/15 represents the second year of the three year Allowable Revenue and Forecast Capital Expenditure period for both the Wholesale Electricity Market and the Gas Services Information.

Engaging with Market Stakeholders will be a continuing focus for the IMO in 2014/15 along with the identification of market data that can be published, improves efficiency and demonstrate transparency in the IMO decision making process for both our Electricity and Gas participants.

2014/15 will also see the IMO undertake a number of comprehensive compliance audits on both the Electricity and Gas functions including compliance with both the Electricity and Gas Rules and procedures. This is expected to be a key point of activity for the IMO during the year.

Another key driver for the IMO during 2014/15 will be the continuing development of IMO staff and to further develop the successful Graduate Development program to ensure knowledgeable and enthusiastic graduates are appointed to roles with the IMO on completion of their program.

Works will continue to reduce both operational and key person risk by identifying both processes and systems and developing risk mitigation plans to address these issues.

With the recent announcement of the WA Electricity Industry Review, to be conducted by the Public Utilities Office (PUO), the IMO looks forward to supporting and contributing to the review.

The 2014/15 Operational Plan is the first to combine both of the IMO's functions into one operational plan. As the IMO is required to separately account for both WEM and GSI, budgets for both functions have been included as separate sections in the Operational Plan.

The IMO has made good progress on its delivery of the 2013/14 Key Performance Indicators, details of which are included in section 2.1.

Plan Governance and Approval

Wholesale Electricity Market (WEM)

The IMO received approval in April 2013 of its WEM Allowable Revenue and Forecast Capital Expenditure from the Economic Regulation Authority (ERA) for the Review Period 2013/14 to 2015/16.

This Operational Plan and budget is consistent with the second year of the WEM Allowable Revenue and Forecast Capital Expenditure determined by the ERA.

The IMO Board approved the draft 2014/15 Operational Plan at its meeting on 17 April 2014.

In accordance with the Electricity Industry (Independent Market Operator) Regulations 2004, the IMO is required to submit to the Minister for Energy the 2014/15 Operational Plan by 30 April 2014.

The Operational Plan is required to include a budget for the coming financial year, with the Minister for Energy required to make a decision on the budget within 30 business days.

The IMO must publish the approved budget within five business days of receiving the Minister for Energy's approval.

Gas Services Information (GSI)

The IMO received approval in November 2013 of its GSI Allowable Revenue and Forecast Capital Expenditure from the Economic Regulation Authority (ERA) for the Review Period 2013/14 to 2015/16.

This Operational Plan and budget is consistent with the second year of the GSI Allowable Revenue and Forecast Capital Expenditure determined by the ERA.

The IMO Board approved the draft 2014/15 Operational Plan at its meeting on 17 April 2014.

In accordance with Section 111 of the Gas Services Information Rules, the IMO is required to submit to the Minister for Energy the 2014/15 GSI Budget Proposal by 30 April 2014. The Minister for Energy is required to make a decision on the budget within 30 business days.

The IMO must publish the Approved Annual Revenue for the GSI by 30 June each year or within five business days of receiving the Minister for Energy's approval should this be received after 30 June.

1. Independent Market Operator – Corporate Structure

The IMO is an independent body corporate that was established on 1 December 2004 to administer and operate the Wholesale Electricity Market (WEM) of Western Australia. In May 2011, the IMO was appointed to administer the Gas Services Information (GSI) in Western Australia.

The key roles and functions of the IMO are set out in the following instruments:

- Wholesale Electricity Market Rules;
- *Electricity Industry (Wholesale Electricity Market) Regulations 2004*;
- *Electricity Industry (Independent Market Operator) Regulations 2004*;
- *the Gas Services Information Regulations 2012*; and
- the Gas Services Information Rules.

1.1. Electricity Market Objectives

The *Electricity Industry Act 2004* sets the objectives of the WEM. These objectives are:

- To promote the economically efficient, safe and reliable production and supply of electricity and related services in the South West inter-connected system (SWIS);
- To encourage competition among generators and retailers in the SWIS, including by facilitating efficient entry of new competitors;
- To avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- To minimise the long-term cost of electricity supplied to customers from the SWIS; and
- To encourage the taking of measures to manage the amount of electricity used and when it is used.

1.2. Gas Services Information Objectives

The objectives of the Gas Bulletin Board (GGB) and Gas Statement of Opportunities (GSOO) are to promote the long term interests of consumers and natural gas in relation to:

- The security, reliability and availability of the supply of natural gas in the State;
- The efficient operation and use of natural gas services in the State;
- The efficient investment in natural gas services in the State; and
- The facilitation of competition in the use of natural gas services in the State.

1.3. Governance Framework

The IMO Board is the governing body, with authority to perform the functions, determine policies and control the affairs of the IMO.

The IMO Board is appointed by the Minister for Energy and operates in accordance with the *Electricity Industry (Independent Market Operator) Regulations 2004*.

The existing IMO Board members are:

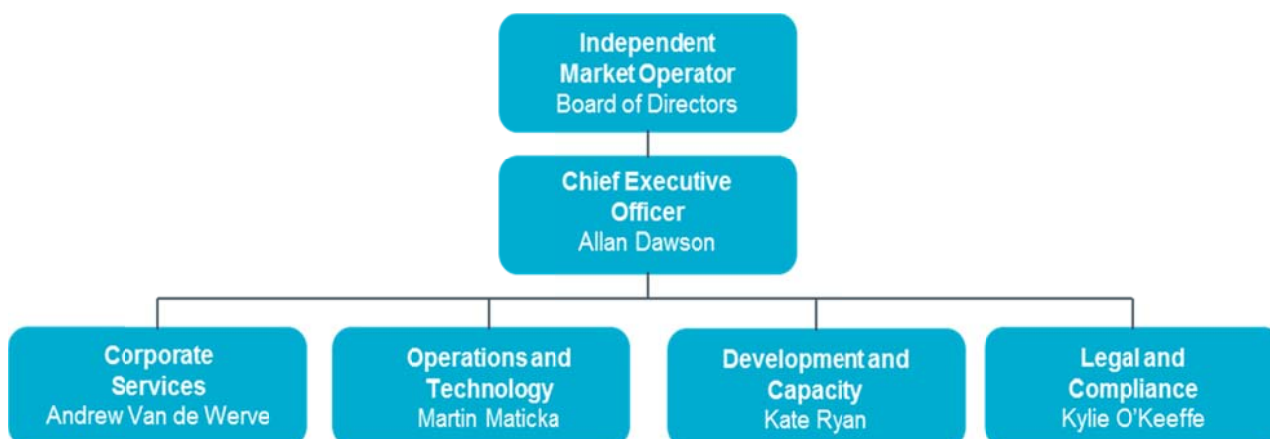
- John Kelly (Chairman);
- Shaun Dennison;
- David Huggins; and
- Roland Sleeman.

In May 2013, Roland Sleeman, was appointed to support the Board’s new responsibility for the implementation and operation of the Gas Services Information.

1.4. Organisational Structure

The current IMO management restructure has been in place since February 2013.

Figure 1 – IMO Organisational Chart



The IMO currently has 45 approved positions, corresponding to 43.9 FTE’s after adjusting for part-time positions. This is consistent with the positions included in the Allowable Revenue Determinations approved during 2013/14.

The allocation of staff to the functions performed by the IMO is 38.8 FTE for WEM related activities and 5.1 FTE for GSI related activities.

Historical FTE Allocations	2010/11	2011/12	2012/13	2013/14	2014/15
Wholesale Electricity Market Functions	27.7	31.5	35.5	38.5	38.8
Gas Services Information Functions	-	-	4.5	4.5	5.1
Total Full Time Equivalent Positions	27.7	31.5	40.0	43.0	43.9

2. 2013/14 in Review

In 2013/14, the IMO's main focus was on completing the successful implementation of the Gas Bulletin Board and the Gas Statement of Opportunities and to improve its service delivery to customers whilst supporting the WEM's next evolutionary steps. This included:

- Increased market transparency through the publication of market data infographics on the IMO Website and by providing market data in a more user friendly, self service format;
- Continue to proactively manage market evolution through the publication and implementation of a Market Rules Evolution Plan (MREP), including review and prioritisation by the Market Advisory Committee;
- Facilitating the rule and system changes to accommodate the merger of the Synergy and Verve entities;
- Actively manage and reduce the operational risks associated with the market systems, in particular reviewing the market settlement processes;
- Build robust systems and developing staff to reduce key person dependency, particularly in market operations; and
- Undertake proactive sharing and documentation of institutional knowledge, both internally and with key sector stakeholders.

During 2013/14 a number of system developments were made, improving the level of data availability and improving the compliance tools available for market surveillance.

2.1. Key Performance Indicators 2013/14 (current to 31 March 2014)

Strategic Objective: Operating Markets

Measure	Performance Expectation Per Year	Progress to 31 March 2014 (9 months)
Number of STEM Market Suspensions	≤ 1	0
STEM Market delay	≤ 5	2
Forecast BMO generation (excluding planned outages)	≥99%	99.84%
Unscheduled IT outages	≤ 0.5%	0.16%
Late Settlement statements (STEM & Non-STEM)	≤ 2	0
GBB Reporting generation (excluding planned outages)	≥99%	100%
Deadline for publication of Gas Statement of Opportunities met	IMO adherence to material deadlines in the GSI Rules	2013 GSOO published 26 July 2013 (due 31 July) Publication of 2014 GSOO delayed until 31 January 2014 (due 31 December)
Key deadlines for Reserve Capacity Mechanism published on IMO website and met	IMO adherence to significant published deadlines	All deadlines met to date

Strategic Objective: Developing the WEM and GSI

Measure	Performance Expectation Per Year	Progress to 31 March 2014 (9 months)
Formal Review of Market Rules Evolution Plan for 2013 to 2016	Once per year with MAC	Completed at October 2013 MAC meeting
Delivery of GISP	On time; < Budget; In consultation with gas industry stakeholders; and Consistent with the objectives in the <i>Gas Services Information Act 2012</i> .	GISP concluded on 2 August 2013 with the launch of the GSOO and GBB On time Delivered 9.06% under budget (\$300,399) Extensive consultation with stakeholders Consistent with objectives

Strategic Objective: Establish and Building Strong Relationships

Measure	Performance Expectation Per Year	Progress to 31 March 2014 (9 months)
Number of market training sessions presented to attendees	≥ 200 Participants	23 training courses held YTD with 268 participants attending.
Number of forums, workshops and user groups held with Energy Sector	6 per year	7 Year to Date <ul style="list-style-type: none"> • Operations Stakeholder Forum • Reserve Capacity Workshop • Large User Forum • GSOO Stakeholder Forum • Merger information sessions (2) • Telemetry requirements for DSPs

Strategic Objective: Financial Responsibility

Measure	Performance Expectation Per Year	Progress to 31 March 2014 (9 months)
Expenditure Control	≤ Allowable Revenue	Tracking to budget , currently at 70.3% of annual budget
Capital Expenditure Control	≤ Capital Budget	Tracking to budget , currently at 75.2% of annual budget

Strategic Objective: Skills and Resources

Measure	Performance Expectation Per Year	Progress to 31 March 2014 (9 months)
Employee happiness and satisfaction	Turnover to be ≤ 15%	9.1% (4 Resignations)
Effective graduate program	To retain Graduates on average ≥ 3 years	Avg retention currently 2 years 2 months
Recruitment strategy effectiveness	≤ 4 months to fill a position	5 positions recruited with an avg recruitment time of 1.5 months

3. Strategic Objectives and Operational Deliverables for 2014/15

3.1. Strategic Objectives

3.1.1. IMO Purpose

To achieve the market objectives in the operation and evolution of the Wholesale Electricity Market (WEM) and Gas Services Information (GSI). We accomplish this through collaboration, efficient processes and independent leadership, using our resources efficiently and investing in our people.

The IMO's strategic objectives have been revised for 2014/15 to reflect the continuing maturity of the organisation.

THE IMO'S STRATEGIC OBJECTIVES

Operating Markets

- The IMO operates reliable and efficient markets and information services with integrity and transparency.

Developing the WEM and GSI

- The IMO leads short term improvement, supports long term evolution of the WEM and GSI using robust analysis, objective reasoning and consultation.

Establish and Build Strong Relationships

- The IMO develops enduring relationships with customers and stakeholders based on trust and open communication.

Financial Responsibility and Risk Management

- All financial transactions and corporate risks have prudent governance oversight.

Skills and Resources

- The IMO has the skills and resources to operate professionally and meet stakeholders' expectations.

The IMO's 2014/15 Operational Plan is consistent with these Strategic Objectives.

3.2. Operational Deliverables

The IMO's 2014/15 Operational Plan is predicated on operating the WEM and GSI in compliance with:

- the *Electricity Industry (Wholesale Electricity Market) Regulations 2004*;
- the *Electricity Industry (Independent Market Operator) Regulations 2004*;
- the Wholesale Electricity Market Rules;
- the *Gas Services Information Regulations 2012*; and
- the Gas Services Information Rules.

In performing its functions the IMO relies on strong corporate governance and robust service delivery.

The IMO's draft operational deliverables are built on, and provide support to, the IMO's core functions.

3.2.1. Strategic Objective: Operating Markets

The IMO operates reliable and efficient markets and information services with integrity and transparency.

- Continue to improve the system availability and market data quality in WEMS and GBB.
- Continue to embed the concept of operational maturity into all IMO systems, procedures and culture.
- Undertake an end to end compliance audit for the IMO WEM rule obligations including Market Procedures and Market Systems.
- Improve the transparency of our markets by continuing to develop and publish market data identified as valuable by stakeholders.
- Continue to develop and enhance the IMO's compliance and market monitoring tools.
- Develop a plan and commence implementation of improvements to WEMS settlement that aligns with the IMO's Risk Appetite and ensures a reduction in system risk, clear and efficient processes and auditable outcomes.

3.2.2. Strategic Objective: Developing the WEM and GSI

The IMO leads short term improvement and supports long term evolution of the WEM and GSI, using robust analysis, objective reasoning and consultation.

- Continue to enhance and encourage active participation in the Balancing and Load Following Ancillary Service Markets.
- Continue to implement the recommendations from the Reserve Capacity Mechanism Review in a robust and timely manner.
- Continue to implement the recommendations from the Outage Planning Review.
- Continue the development of reforms outlined in the Market Rules Evolution Plan.
- Continue the strategic discussions on longer term policy matters (e.g. will the SWIS retain an unconstrained philosophy or adopt a constrained grid policy) that could impact the design and implementation of the WEM systems – the replacement of these systems is scheduled to commence in 2016/17.
- Provide support for the continued development of the WA Energy Sector (e.g. the PUO led industry review and gas short term trading market).

3.2.3. Strategic Objective: Establish and Build Strong Relationships

The IMO develops enduring relationships with customers and stakeholders based on trust and open communication.

- Engage, educate and inform our stakeholders.
- Listen to our stakeholders, taking their views into consideration when we make decisions and provide sound explanations when a decision differs from their views.
- Continue to enhance the functionality and content of the IMO website, WEMS Market Participant Interface and GSI systems to meet the requirements of our stakeholders.
- Evolve the IMO market training to meet the needs of our stakeholders.

3.2.4. Strategic Objective: Financial Responsibility and Risk Management

All financial transactions and corporate risks have prudent governance oversight.

- Planned audits are conducted in accordance with approved audit program.
- IMO risks are managed within the IMO Board approved Risk Management Framework.
- Continue to improve our processes and procedures to ensure they are robust, effective and efficient.
- Ensure IMO internal resources are efficiently applied to the IMO's work programs.
- Continue to develop and implement a centralised procurement function that ensures all major procurement is conducted using consistent processes and standards.

3.2.5. Strategic Objective: Skills and Resources

The IMO has the skills and resources to operate professionally and meet stakeholders' expectations.

- Maintain an integrated approach to performance management including personal development plans for all IMO staff.
- Build organisational resilience through staff development and succession planning.
- Continue to identify and mitigate key person risk.
- Continue the IMO's successful graduate program.

4. 2014/15 Budget – Electricity (WEM)

4.1. Electricity (WEM) – Three Year Review Period – Approval Provided

In accordance with clause 2.22.3 of the Wholesale Electricity Market Rules, the ERA approved the IMO's Allowable Revenue and Forecast Capital Expenditure in April 2013 for the Review Period 2013/14 to 2015/16.

Allowable Revenue is defined as the revenue that may be recovered through fees to meet the costs of providing the IMO's services to the market.

The Allowable Revenue and Forecast Capital Expenditure Submission for the period covering 2013-14 to 2015-16 was the first submission as a result of rule change RC_2011_02 which expanded the IMO's three yearly funding arrangements to include the ERA Determination of the IMO's Forecast Capital Expenditure.

Forecast Capital Expenditure is defined as the predicted sum of capital expenditure required for a Review Period. The capital expenditure incurred by the IMO is primarily used for developing and maintaining both Market and Non Market related IT systems and infrastructure.

2014/15 is the second year of the 2013/14 to 2015/16 Review Period.

The ERA Determination allowed for:

1. Total operational expenditure across the review period of \$48.926 million (after allowing for interest revenue of \$150,000), including expenditure of \$16.265 million in 2014/15 (after allowing for interest revenue of \$50,000).
2. Total capital expenditure across the review period of \$6.274 million, including \$1.984 million in 2014/15.

4.2. Electricity (WEM) – Inter-Period Budget Adjustment

The IMO is required under the Market Rules to return an operating surplus or recover an operating loss from Market Participants via an adjustment to the Allowable Revenue two years hence.

In 2012/13 the IMO budgeted for an operating loss of \$0.500 million to account for the result recorded in 2010/11. The actual result in 2012/13 was a profit of \$0.901 million being \$1.401 million more than the budgeted loss of \$0.500 million. The proposed budget in the 2014/15 Operational Plan takes into account an adjustment of this \$1.401 million.

The relevant inter-period budget adjustments are set out below:

Financial Budget/Result	2010/11 (\$'000)	2011/12 (\$'000)	2012/13 (\$'000)	2013/14 (\$'000)	2014/15 (\$'000)
Budgeted Profit/(Loss)	(772)	(156)	(500)	993	(1,401)
Actual Profit/(Loss)	<u>(272)</u>	<u>(1,149)</u>	<u>901</u>	<u>TBD</u>	<u>TBD</u>
Variance	500	(993)	1,401	TBD	TBD

4.3 Electricity (WEM) – IMO Proposed Budget by Functional Areas

The IMO is required under the Market Rules to prepare a budget for each service. Accordingly the budgeted expenditure has been broken down by functional service area.

Functional Service Area	Budgeted 2014/15 (\$'000)	Budgeted 2013/14 (\$'000)
Market Administration	5,498	5,052
Market Operation	8,502	8,033
System Planning	<u>2,676</u>	<u>2,730</u>
Total Budget	16,676	15,815

4.4 Electricity (WEM) – IMO Sources of Funding

The IMO is required under the *Electricity Industry (Independent Market Operator) Regulations 2004* to estimate the sources of funding.

Sources of funding	Budgeted 2014/15 (\$'000)	Budgeted 2013/14 (\$'000)
Market Fees (Adjusted ¹)	15,225	16,758
Inter-Period Adjustment (from 2012/13)	1,401	(993)
Interest Revenue	<u>50</u>	<u>50</u>
Total Funding (Normal Operations)	16,676	15,815

4.5 Electricity (WEM) – IMO Proposed Budget by Classification Categories

The budgeted expenditure and interest approved by the ERA in 2014/15 is set out in the classification categories as shown below:

Classification	2014/15 (\$'000)	2013/14 (\$'000)
Employee Benefits Expense	5,996	5,568
Supplies & Services	4,980	5,004
Accommodation	782	715
Depreciation	4,444	3,946
Borrowing costs	<u>474</u>	<u>582</u>
Total Budgeted Expenditure	16,676	15,815
Less Interest revenue	(50)	(50)
Add/(Less) Inter-Period Budget Adjustment	<u>(1,401)</u>	<u>993</u>
Market Fees (To be Levied)	15,225	16,758

¹ Adjusted Market Fees is the net result of the Allowable Revenue approved by the ERA (adjusted to \$16,626,000) less the Inter-Period Adjustment from 2012/13 (\$1,401,000).

4.6 Electricity (WEM) – Forecast Capital Expenditure

The Allowable Revenue and Forecast Capital Expenditure Submission for the period covering 2013-14 to 2015-16 was the first submission as a result of rule change RC_2011_02 which expanded the IMO's three yearly funding arrangements to include the ERA Determination of the IMO's Forecast Capital Expenditure.

Forecast Capital Expenditure is defined as the predicted sum of capital expenditure required for a review period.

The IMO has developed a third iteration of the IMO IT Road Map 2013-2016 which is the key strategic IT planning document used to ensure that the planning, delivery, management and use of the IMO's systems optimally supports the IMO business requirements.

The IMO IT Road Map 2013-2016 was endorsed by the Minister for Energy in October 2012 and was considered as part of the State Capital Budget from 2013/14. The IT Road Map 2013-2016 was developed to support the IMO Forecast Capital Expenditure submission for the review period 2013-14 to 2015-16.

The IT Road Map 2013-2016 aims to:

- Continue to maintain systems and ensure they remain current and supported by our vendors;
- Extend applications to support Market Participants that have a carrying degree of technical sophistication;
- Maintain the strategic objective of enhancing market transparency; and
- Developing and implement integrated compliance and monitoring tools in the WEM Systems.

The funding determined by the ERA for the WEM review period 2013/14 to 2015/16 was:

	2013/14	2014/15	2015/16	Total
Forecast Capital Expenditure (\$'000)	2,583	1,984	1,707	6,274

A significant investment to replace a large component of the current Wholesale Electricity Market System will be required in 2016/17 as the system reaches its end of useful life. This will be included as part of the Forecast Capital Expenditure submission for the 2016/17 to 2018/19 Triennium.

The 2014/15 Forecast Capital Expenditure is allocated to the following IT categories:

IT Category	2014/15 (\$'000)	2013/14 (\$'000)
Corporate Support (Non-Market Systems)	128	130
Wholesale Electricity Market Systems (WEMS)	385	654
Settlements	70	368
Infrastructure Support (Market Systems)	999	972
Data/Information Provision	<u>402</u>	<u>459</u>
Total 2014/15 Forecast Capital Expenditure	1,984	2,583

Forecast Capital Expenditure is funded through five year fixed term loans from WA Treasury Corporation.

The Principal and Interest repayments form part of the Total Budget Expenditure through the categories of Borrowing Costs (Interest) and Depreciation (Principal) and over the life of the loans are cost neutral to the WA State Budget.

5. Market Fees – Electricity (WEM)

One of the IMO's responsibilities under the Market Rules is to charge Market Fees to recover the costs of:

- The IMO;
- System Management's wholesale market functions; and
- the ERA's market functions.

The Market Rules provide a methodology for calculating fees for settlement through the market. The fee rates will be set to recover allowable revenue on the following basis:

- 50% on the basis of the forecast annual generation; and
- 50% on the basis of the forecast annual load.

There is a fixed rate application fee set at a level commensurate with the direct costs borne by the IMO.

Prior to 30 June 2014 the IMO must publish each of the following:

- Market Fee rate;
- System Operation Fee rate;
- Regulator Fee rate;
- Rate for each Application Fee for 2014/15;
- Total projected IMO fees for 2014/15;
- Total projected System Operation Fees for 2014/15; and
- Total projected Regulator Fees for the ERA's market monitoring and regulation services for 2014/15;

The Market Rules provide for information about the expected fee rate to be published in the event that, prior to 30 June, the IMO's annual budget has not received approval from the Minister for Energy or the IMO has not been provided with a copy of the relevant information from the System Operator or the Regulator.

5.1. Market Fees for 2014/15 – WEM

The total revenue to be recovered through Market Fees in 2014/15 is as follows:

Market Fees - Revenue Requirement	2014/15 (\$'000)	2013/14 (\$'000)
IMO Revenue Requirement	15,225	16,758
System Management Revenue Requirement	TBA	12,616
ERA Revenue Requirement	TBA	2,589
Total Revenue to be recovered through Market Fees	TBA	31,963

The IMO is yet to receive advice from System Management or the ERA on their revenue requirements for 2014/15.

Following the release of updated energy forecasts in June 2014, the IMO will determine and publish the level of the Market Fee rate, System Operation Fee rate and Regulator Fee rate for 2014/15.

The indicative Market Fee rate relating to the IMO is set out below:

IMO Revenue Requirement	2014/15 (\$'000)	2013/14 (\$'000)
Revenue Requirement	15,225	16,758
Indicative IMO Market Fee Rate (MWh) ²	\$0.409	\$0.456

Trend in IMO Fee rate	IMO Fee recovered Dollars per MWh	IMO "Real" Fee recovered ³ Dollars per MWh
2006/07	\$0.307	\$0.369
2007/08	\$0.322	\$0.371
2008/09	\$0.271	\$0.308
2009/10	\$0.266	\$0.292
2010/11	\$0.316	\$0.337
2011/12	\$0.327	\$0.345
2012/13	\$0.439	\$0.450
2013/14	\$0.456	\$0.456
2014/15 ²	\$0.409	\$0.409

The increase in IMO Fee recovered from 2011/12 to 2012/13 of \$0.112/MWh is a result of the additional depreciation and borrowing expenditure related to the Market Evolution Program (MEP) which was completed and capitalised in 2012/13.

² Influenced by inter-period budget adjustment of (\$1,401,000). The Market Fee rate without the inter-period budget adjustment would be \$0.446/MWh.

³ The IMO "Real" Fee recovered brings the value of the prior year fees recovered into "real" dollars today based on the All Groups CPI for the Perth Region. This data has been sourced from the Australian Bureau of Statistics website in March 2014.

6. 2014/15 Budget - GSI

6.1. GSI – Three Year Review Period – Approval Provided

In accordance with clause 108 of the Gas Services Information Rules, the ERA approved the IMO's Allowable Revenue and Forecast Capital Expenditure in November 2013 for the Review Period 2013/14 to 2015/16.

Allowable Revenue is defined as the revenue that may be recovered through fees to meet the costs of providing the IMO's services under the GSI rules.

Forecast Capital Expenditure is defined as the predicted sum of capital expenditure required for a Review Period.

2014/15 is the second year of the 2013/14 to 2015/16 Review Period.

The ERA Determination allowed for:

1. Total operational expenditure across the review period of \$6.919 million, including expenditure of \$2.360 million in 2014/15.
2. Total capital expenditure across the review period of \$0.461 million, including \$0.157 million in 2014/15.

6.2. GSI – Inter-Period Budget Adjustment

The IMO is required under the GSI Rules to return an operating surplus or recover an operating loss from Market Participants via an adjustment to the Allowable Revenue two years hence.

As 2013/14 was the first year of operations of the Gas Services Function, the actual result for the period is yet to be finalized and subjected to an external audit. As a result, there will be no Inter-period adjustment related to the Gas Services Information functions during 2014/15. The first GSI inter-period adjustment will take place in 2015/16.

The relevant inter-period budget adjustments are set out below:

Financial Budget/Result	2013/14 (\$'000)	2014/15 (\$'000)	2015/16 (\$'000)
Budgeted Profit/(Loss)	0	TBD	TBD
Actual Profit/(Loss)	<u>TBD</u>	<u>TBD</u>	<u>TBD</u>
Variance	TBD	TBD	TBD

6.3. GSI – IMO Sources of Funding

Under the GSI Rules, the IMO's funding for the GSI functions is recovered from fees charged to Gas Shippers in accordance with the Rules.

Fees are collected quarterly in arrears, based on the actual share of gas deliveries to relevant Gas Shippers.

Sources of funding	Budgeted 2014/15 (\$'000)	Budgeted 2013/14 (\$'000)
Shipper Fees	2,340	2,250
Total GSI Funding	2,340	2,250

6.4. GSI – IMO Proposed Budget by Classification Categories

The budgeted expenditure approved by the ERA in 2014/15 is set out in the classification categories as shown below:

Classification	2014/15 (\$'000)	2013/14 (\$'000)
Employee Benefits Expense	790	798
Supplies & Services	727	629
Accommodation	102	103
Depreciation	634	570
Borrowing costs	<u>87</u>	<u>150</u>
Total Budgeted Expenditure	2,340	2,250

6.5. GSI – Forecast Capital Expenditure

The Allowable Revenue and Forecast Capital Expenditure Submission for the period covering 2013-14 to 2015-16 was the first submission as a result of rule change RC_2011_02 which expanded the IMO's three yearly funding arrangements to include the ERA Determination of the IMO's Forecast Capital Expenditure.

Forecast Capital Expenditure is defined as the predicted sum of capital expenditure required for a review period.

The IMO has developed a third iteration of the IMO IT Road Map covering the period 2013-2016 which is the key strategic IT planning document used to ensure that the planning, delivery, management and use of the IMO's systems optimally supports the IMO business requirements.

The IMO IT Road Map 2013-2016 was endorsed by the Minister for Energy in October 2012 and was considered as part of the State Capital Budget from 2013/14.

The IT Road Map 2013-2016 was developed to support the IMO Forecast Capital Expenditure submission for the review period 2013-14 to 2015-16.

The IT Road Map 2013-2016 aims to:

- Continue to maintain systems and ensure they remain current and supported by our vendors;
- Extend applications to support Market Participants that have a carrying degree of technical sophistication;
- Maintain the strategic objective of enhancing market transparency; and
- Developing and implement integrated compliance and monitoring tools in the WEM Systems.

The funding determined by the ERA for the GSI review period 2013/14 to 2015/16 was:

	2013/14	2014/15	2015/16	Total
Forecast Capital Expenditure (\$'000)	88	157	216	461

The 2014/15 Forecast Capital Expenditure is allocated to the following IT categories:

IT Category	2014/15 (\$'000)	2013/14 (\$'000)
Corporate Support (Non-Market Systems)	17	20
Gas Bulletin Board	<u>140</u>	<u>68</u>
Total 2014/15 Forecast Capital Expenditure	157	88

Forecast Capital Expenditure is funded through five year fixed term loans from WA Treasury Corporation.

The Principal and Interest repayments form part of the Total Budget Expenditure through the categories of Borrowing Costs (Interest) and Depreciation (Principal) and over the life of the loans are cost neutral to the WA State Budget.

7. GSI - Registered Shippers Fees

One of the IMO's responsibilities under the GSI Rules is to charge Registered Shippers an amount equal to the Approved Annual Revenue for that Financial Year.

The GSI Rules provide a methodology for invoicing the GSI fees on a quarterly in arrears basis.

Prior to 30 June 2014 the IMO must publish on the GSI website, the Approved Annual Revenue which will be charged as the Registered Shippers Fee.

7.1. Registered Shippers Fees for 2014/15

The total revenue to be recovered through the Registered Shippers Fees in 2014/15 is as follows:

Market Fees - Revenue Requirement	2014/15 (\$'000)	2013/14 (\$'000)
IMO GSI Revenue Requirement	2,340	2,250
Total GSI Revenue to be recovered through Registered Shipper Fees	2,340	2,250

8. Proposed Key Performance Indicators – 2014/15

Strategic Objective: Operating Markets

Measure	Performance Expectation Per Year
STEM Market delay and Suspensions	≤ 5
Forecast BMO generation (excluding planned outages)	≥99.5%
Late Settlement statements (STEM & Non-STEM)	≤ 2
GBB Report generation (excluding planned outages)	≥99%

Strategic Objective: Developing the WEM and GSI

Measure	Performance Expectation
Formal Review of Market Rules Evolution Plan for 2013 to 2016	Once per year with MAC

Strategic Objective: Establish and Build Strong Relationships

Measure	Performance Expectation
Number of participants in market training sessions	Annual participant numbers ≥ 250
Number of forums, workshops and user groups held with the Energy Sector	6 per year
<i>RulesWatch</i> Newsletters sent to stakeholders	≥ 40 per annum
Market Advisory Committee and Gas Advisory Board meetings Held	≥ 10 per annum

Strategic Objective: Financial Responsibility and Risk Management

Measure	Performance Expectation
Expenditure Control	≤ Allowable Revenue
Capital Expenditure Control	≤ Forecast Capital Expenditure
Risk Management Updates to Board	3 Updates per annum
Deliver Quarterly Report to Minister	3 Reports per annum

Strategic Objective: Skills and Resources

Measure	Performance Expectation
Employee happiness and satisfaction	Turnover to be ≤ 15%
Effective graduate program	Retain graduates on average ≥ 3 years
Recruitment strategy effectiveness	Less than 4 months to fill a position

Appendix A

IMO Wholesale Electricity Market (WEM) Operating Budget : 2010/11 to 2012/13 and 2013/14 to 2015/16 Trienniums

Description	Previous Triennium 2010/11 to 2012/13				New Triennium 2013/14 to 2015/16							
	Actual				ERA Approved - April 2013				Projected Expenditure			
	Actual 2010/2011 ¹ \$'000	Actual 2011/2012 ¹ \$'000	Actual 2012/2013 ¹ \$'000	Total \$'000	2013/2014 \$'000	2014/2015 \$'000	2015/2016 \$'000	Total \$'000	Projected 2013/2014 ² \$'000	Projected 2014/2015 \$'000	Projected 2015/2016 \$'000	Total \$'000
1	2	3	4	5	6	7	8	9	10	11	12	
REVENUE												
User Fees and Charges - WEM	11,459	11,853	16,083	39,395	15,825	16,265	16,686	48,776	16,322	15,225	17,032	48,579
Interest and Other revenue	225	571	103	899	50	50	50	150	69	50	50	169
TOTAL REVENUE	11,684	12,424	16,186	40,294	15,875	16,315	16,736	48,926	16,391	15,275	17,082	48,748
EXPENDITURE												
Employees Benefit Expense	4,650	5,093	5,724	15,467	5,568	5,851	6,102	17,521	5,443	5,996	6,102	17,541
Accommodation Costs	336	358	603 ⁴	1,297	715	753	784	2,252	701	782	784	2,267
Supplies and Services	5,368	5,586 ³	4,889	15,846	5,065	4,952	4,984	15,001	5,151	4,980	4,984	15,115
Borrowing Costs	178	532	819	1,529	582	391	304	1,277	520	474	304	1,298
Depreciation	1,424	2,003	3,250 ⁵	6,677	3,945	4,368	4,562	12,875	3,929	4,444	4,562	12,935
TOTAL EXPENDITURE	11,956	13,573	15,285	40,817	15,875	16,315	16,736	48,926	15,744	16,676	16,736	49,156
SURPLUS/(DEFICIT) Operating Result	(272)	(1,149)	901	(520)	-	-	-	-	647	(1,401)	346	(408)
Operational Plan Budgeted Result Surplus/(Deficit)⁶	(772)	(156)	(500)	(1,428)	-	-	-	-	993	(1,401)	346	(62)
Carried forward future period adjustment as per WEM Rules⁷	500	(993)	1,401	908	-	-	-	-	(346)	-	-	(346)
Underlying Profit/(Loss) result for the year	-	-	-	-	-	-	-	-	-	-	-	-

NOTE:

1. Per audited results.
2. Per 2013/14 YTD March Internal Management Reporting.
3. Includes \$350,000 related to initial Gas Information Services Project (GISP) activity, which was offset by corresponding revenue contribution from the Public Utilities Office.
4. Increase in Accommodation Costs from 2011/12 to 2012/13 was a result of a new accommodation lease entered in September 2013.
5. Depreciation reduces to \$3,250,000 as a result of converting the effective useful life of IT assets from 3 years to 5 years – decision by IMO Board in October 2012, effective 1 July 2012.
6. Budgeted Result as per Draft Operational Plan submitted to the Minister for Energy for the corresponding period.
7. Under WEM Rule 2.22.7, The IMO is required to return an operating surplus or recover an operating deficit from Market Participants via an adjustment to the operational budget two years hence.

Appendix B

IMO Gas Services Information (GSI) Operating Budget : 2013/14 to 2015/16 Triennium

Description	New Triennium 2013/14 to 2015/16							
	ERA Approved - November 2013				Projected Expenditure			
	2013/2014 \$'000	2014/2015 \$'000	2015/2016 \$'000	Total \$'000	Projected 2013/2014 ¹ \$'000	Projected 2014/2015 \$'000	Projected 2015/2016 \$'000	Total \$'000
	1	2	3	4	5	6	7	8
REVENUE								
User Fees and Charges - GSI	2,251	2,360	2,310	6,921	2,251	2,340	2,101	6,692
TOTAL REVENUE	2,251	2,360	2,310	6,921	2,251	2,340	2,101	6,692
EXPENDITURE								
Employees Benefit Expense	798	761	793	2,352	791	790	793	2,374
Accommodation Costs	103	99	103	305	91	102	103	296
Supplies and Services	629	727	628	1,984	525	727	628	1,880
Borrowing Costs	150	127	103	380	142	87	103	332
Depreciation	571	646	683	1,900	493	634	683	1,810
TOTAL EXPENDITURE	2,251	2,360	2,310	6,921	2,042	2,340	2,310	6,692
SURPLUS/(DEFICIT) Operating Result	-	-	-	-	209	-	(209)	-
Operational Plan Budgeted Result Surplus/(Deficit)²	-	-	-	-	-	-	(209)	(209)
Carried forward future period adjustment as per GSI Rules³	-	-	-	-	209	-	-	209
Underlying Profit/(Loss) result for the year	-	-	-	-	-	-	-	-

NOTE:

1. Per 2013/14 YTD March Internal Financial Reporting.
2. Budgeted Result as per Draft Operational Plan submitted to the Minister for Energy for the corresponding period.
3. Under GSI Rule 111.3, The IMO is required to return an operating surplus or recover an operating deficit from Registered Shippers via an adjustment to the operational budget two years hence.

Agenda Item 8a: Overview of Recent and Upcoming IMO and System Management Procedure Change Proposals

Legend:

Shaded	Shaded rows indicate procedure changes that have been completed since the last MAC meeting.
Unshaded	Unshaded rows are procedure changes still being progressed.
Red Text	Red text indicates any updates to information

ID	Summary of Changes	Status	Next Step	Date
IMO Procedure Change Proposals				
PC_2012_11 Notices and Communications	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> Reflect the IMO's new format arising from its Market Procedures project. Reflect the IMO's updated contact details. 	<ul style="list-style-type: none"> PC_2012_11: Notices and Communications was published on 18 June 2013. 	<ul style="list-style-type: none"> Submissions closed on 16 July 2013. The IMO is currently preparing the Procedure Change Report. 	August 2014
PC_2013_05 Reserve Capacity Security	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> Reflect the IMO's new format arising from its Market Procedures project; Revise the Market Procedure to provide more details of the relevant processes; Include some minor and typographical amendments to improve the integrity of the Market Procedure; and 	<ul style="list-style-type: none"> PC_2013_05 was published on 14 July 2014. 	<ul style="list-style-type: none"> The submission period is currently open and will close on 11 August 2014. 	11 August 2014

ID	Summary of Changes	Status	Next Step	Date
	<ul style="list-style-type: none"> Include amendments required as a result of the Pre Rule Change Proposal: Prudential Requirements (PRC_2012_23). 			
PC_2013_06 Certification of Reserve Capacity	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> Reflect the IMO's new format; Improve the integrity of the Market Procedure; and Reflect the treatment of Facilities that share a Declared Sent Out Capacity as a result of RC_2012_20. 	<ul style="list-style-type: none"> The Procedure Change Report is being prepared by the IMO in light of the rejection of RC_2013_09 and RC_2013_10 by the Minister. 	<ul style="list-style-type: none"> Procedure Change Report published. 	August 2014
PC_2013_09 Reserve Capacity Performance Monitoring	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> Reflect the IMO's new format; Reflect the amendments to Certification of Reserve Capacity in RC_2010_14; and Clarify the process for Performance Reports and Progress Reports. 	<ul style="list-style-type: none"> The Procedure Change Report is being prepared by the IMO in light of the rejection of RC_2013_09 and RC_2013_10 by the Minister. 	<ul style="list-style-type: none"> Procedure Change Report published. 	August 2014
PC_2014_01 Balancing Market Forecast	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> remove references to Verve Energy in the Market Procedure in response to the changes arising from the Rule Change Proposal RC_2013_18: Market Rule changes arising from the merger of the Electricity Retail Corporation and Electricity Generation Corporation; and make other minor editorial improvements to the Market Procedure. 	<ul style="list-style-type: none"> Procedure has been updated following the discussion at the 6 February 2014 IMOPWG. 	<ul style="list-style-type: none"> Updated Market Procedure to be circulated to the IMOPWG for comment. 	TBA
PC_2014_03 Market Procedure for Determining the Benchmark Reserve Capacity Price	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> rename the Maximum Reserve Capacity Price (MRCP) in the Market Rules as the Benchmark Reserve Capacity Price; and make other minor editorial improvements to the Market Procedure. 	<ul style="list-style-type: none"> PC_2014_03 was tabled at the 1 May 2014 IMO Procedures Working Group. 	<ul style="list-style-type: none"> The IMO will align the formal submission of PC_2014_03 with RC_2013_20 which has been extended until 31/12/2014. 	TBA

ID	Summary of Changes	Status	Next Step	Date
System Management Procedure Change Proposals – N/A				

Agenda Item 9a: Working Group Overview

Working Group (WG)	Status	Date commenced	Date concluded	Latest meeting date	Next scheduled meeting date
System Management Procedures WG	Active	Jul 07	Ongoing	14/08/2013	TBA
IMO Procedures WG	Active	Dec 07	Ongoing	01/05/2014	TBA

Agenda Item 9a: Working Group Membership Updates

1. MEMBERSHIP UPDATES

The IMO has received the below requests:

IMO Procedure Change and Development Working Group

- Remove John Rhodes as the Synergy representative; and
- Retain Jacinda Papps as a Synergy representative.

System Management PSOP Working Group

- Remove John Rhodes as the Synergy representative;
- Remove Nick Walker as the Synergy (formerly Verve Energy) representative; and
- Add Brad Huppatz as the new Synergy representative.

2. RECOMMENDATIONS

The IMO recommends that the MAC:

- **Note** the membership changes.