

**ELECTRICITY INDUSTRY ACT 2004**  
**ELECTRICITY INDUSTRY (WHOLESALE ELECTRICITY - MARKET) REGULATIONS**  
**2004**  
**Wholesale Electricity Market Rules**

**IMO AMENDING RULES RC\_2011\_02 MADE ON 3 July 2012**  
**These Amending Rules commence at 08.00am on 1 November 2012**

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

- 2.22.3. For the Review Period, the IMO must seek the approval of its Allowable Revenue and Forecast Capital Expenditure from the Economic Regulation Authority for each of the services described in clause 2.22.1 in accordance with the following:
- (a) by 30 November of the year prior to the start of the Review Period, the IMO must submit a proposal for its Allowable Revenue and Forecast Capital Expenditure over the Review Period;
  - (b) the Economic Regulation Authority must undertake a public consultation process in approving the IMO's Allowable Revenue and Forecast Capital Expenditure ~~for the IMO~~ for a Review Period, which must include publishing an issues paper and issuing an invitation for public submissions; and
  - (c) by 31 March of the year in which the Review Period commences, the Economic Regulation Authority must determine the IMO's Allowable Revenue and approve the Forecast Capital Expenditure of the IMO for the Review Period for each of the services described in clause 2.22.1.
- 2.22.4. Where the Economic Regulation Authority does not make a determination by the date specified in clause 2.22.3(c), the Allowable Revenue and Capital Expenditure from the previous Review Period, or the budget determined by the Minister under clause 2.22.2, as applicable, will continue to apply until the Economic Regulation Authority makes a determination.
- 2.22.6. Following the first determination of the IMO's Allowable Revenue ~~of the IMO~~ by the Economic Regulation Authority under clause 2.22.3 and subject to clauses 2.22.7 and 2.22.8, the budget proposal must be consistent with the Allowable Revenue determined by the Economic Regulation Authority for the relevant Review Period.
- 2.22.12. The Economic Regulation Authority must take the following into account when determining the IMO's Allowable Revenue and approving Forecast Capital Expenditure or a reassessment to the Allowable Revenue or Forecast Capital Expenditure in accordance with clauses 2.22.14 and 2.22.15 ~~of the IMO~~:

- (a) the Allowable Revenue must be sufficient to cover the forward looking costs of providing the services described in clause 2.22.1 and performing its functions and obligations under these Market Rules in accordance with the following principles:
- i. recurring expenditure requirements and payments are recovered in the year of the expenditure;
  - ii. Capital Expenditures ~~capital expenditures~~ are to be recovered through the depreciation and amortisation of the assets acquired by the Capital Expenditures ~~capital expenditures~~ in a manner that is consistent with generally accepted accounting principles;
  - iii. costs incurred by the IMO that are related to market establishment, as designated by the Minister, are to be recovered over a period determined by the Minister from Energy Market Commencement; and
  - iv. notwithstanding ~~paragraphs~~ clauses 2.22.12(a)(i), 2.22.12(a)(ii) and 2.22.12(a)(iii), expenditure incurred, and depreciation and amortisation charged, in relation to any Declared Market Project are to be recovered over the period determined for that Declared Market Project.
- (b) the Allowable Revenue and Forecast Capital Expenditure must include only costs which would be incurred by a prudent provider of the services described in clause 2.22.1, acting efficiently, seeking to achieve the lowest practicably sustainable cost of delivering the services described in clause 2.22.1 in accordance with these Market Rules, while effectively promoting the Wholesale Market Objectives.
- (c) where possible, the Economic Regulation Authority should benchmark the Allowable Revenue and Forecast Capital Expenditure against the costs of providing similar services in other jurisdictions.

2.23.3. For each Review Period, System Management must seek the approval of its Allowable Revenue and Forecast Capital Expenditure from the Economic Regulation Authority in accordance with the following:

- (a) by 30 November of the year prior to the start of the Review Period, System Management must submit a proposal for its Allowable Revenue and Forecast Capital Expenditure ~~costs~~ over the Review Period;
- (b) the Economic Regulation Authority must undertake a public consultation process in approving System Management's Allowable Revenue and Forecast Capital Expenditure for a Review Period, which must include publishing an issues paper and issuing an invitation for public submissions; and

- (c) by 31 March of the year in which the Review Period commences, the Economic Regulation Authority must determine System Management's the Allowable Revenue and approve the Forecast Capital Expenditure of System Management for the Review Period for the services described in clause 2.23.1.
- 2.23.4. Where the Economic Regulation Authority does not make a determination by the date specified in clause 2.23.3(c), the Allowable Revenue and Capital Expenditure from the previous Review Period, or the budget determined by the Shareholding Minister under clause 2.33.1, as applicable, will continue to apply until the Economic Regulation Authority makes a determination.
- 2.23.5. Following the first determination of System Management's the Allowable Revenue of System Management by the Economic Regulation Authority in accordance with clause 2.23.3, by 30 April each year System Management must prepare a budget proposal for the services described in clause 2.23.1 for the coming Financial Year.
- 2.23.9. System Management must provide a copy of its budget proposal to the IMO by 30 April each year. The IMO must review the budget proposal and submit a report containing advice on whether System Management's budget is consistent with the Allowable Revenue and Forecast Capital Expenditure approved ~~determined~~ by the Economic Regulation Authority, including the reasons why, to the Minister by 31 May.
- 2.23.12. The Economic Regulation Authority must take the following into account when determining System Management's the Allowable Revenue of System Management and approving Forecast Capital Expenditure or a reassessment to the Allowable Revenue or Forecast Capital Expenditure in accordance with clauses 2.23.13 and 2.23.14:
- (a) the Allowable Revenue must be sufficient to cover the forward looking costs of providing the services described in clause 2.23.1 and performing its functions and obligations under these Market Rules in accordance with the following principles:
- i. recurring expenditure requirements and payments are recovered in the year of the expenditure;
  - ii. Capital Expenditures ~~capital expenditures~~ are to be recovered through the depreciation and amortisation of the assets acquired by the Capital Expenditures ~~capital expenditures~~ in a manner that is consistent with generally accepted accounting principles;
  - iii. costs incurred by System Management that are related to market establishment, as designated by the Minister, are to be recovered over

- a period determined by the Minister from Energy Market Commencement; and
- iv. notwithstanding ~~paragraphs~~ clauses 2.23.12(a)(i), 2.23.12(a)(ii) and 2.23.12(a)(iii), expenditure incurred, and depreciation and amortisation charged, in relation to any Declared Market Project are to be recovered over the period determined for that Declared Market Project.
- (b) the Allowable Revenue and Forecast Capital Expenditure must include only costs which would be incurred by a prudent provider of the services described in clause 2.23.1, acting efficiently, in accordance with good electricity industry practice, seeking to achieve the lowest practicably sustainable cost of delivering the services described in clause 2.23.1 in accordance with these Market Rules, while effectively promoting the Wholesale Market Objectives; and
- (c) where possible, the Economic Regulation Authority should benchmark the Allowable Revenue and Forecast Capital Expenditure against the costs of providing similar services in other jurisdictions.

## Glossary

**Capital Expenditure:** With respect to the IMO, the total Capital Expenditure that the IMO incurs as a result of a capital asset, capital project or capital upgrade of an existing asset for the Review Period. With respect to System Management, the total Capital Expenditure that System Management incurs as a result of a capital asset, capital project or capital upgrade of an existing asset for the Review Period.

**Forecast Capital Expenditure:** With respect to the IMO, the predicted sum of Capital Expenditure required for a Review Period. With respect to System Management, the predicted sum of Capital Expenditure required for a Review Period.