

Independent Market Operator



Final Market Rule Change Report

**Title: Amendment to Business Day
Convention**

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Date: 30 October 2007

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1. INTRODUCTION

1.1. *General Information about Rule Changes*

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

In order for the proposal to be progressed, the change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the wholesale electricity 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
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used

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

1.2. *About this Rule Change*

On 20 September 2007, Synergy submitted a Rule Change Proposal titled “Amendment to Business Day Convention”.

The Proposal was processed using the Fast Track Rule Change Process, described in section 2.6 of the Wholesale Electricity Market Rules. The Fast Track Process was used as the proposal satisfied the requirements of clause 2.5.9 (a) of the Market Rules.

The Fast Track Process adheres to the following timelines, outlined in section 2.6 of the Market Rules:

- Within 5 Business Days of a Rule Change Notice being published, the IMO must notify any Rule Participants that the IMO intends to consult regarding the Rule Change.
- Within 5 Business Days of the Rule Change Notice being published, any Rule Participant wishing to be consulted may contact the IMO to request consultation on the Rule Change.
- Within 15 Business Days of the Rule Change Notice being published, all consultations must be concluded.
- Within 20 Business Days of the Rule Change Notice being published, the IMO must publish a Final Rule Change Report.

The key dates in processing this Rule Change Proposal were:

- The Rule Change Notice for this Proposal was published on the IMO website on 2 October 2007.
- The IMO notified interested parties it wished to consult regarding the Rule Change on 2 October 2007.
- Consultations on the Rule Change Proposal were completed on 17 October 2007.
- This Final Rule Change Report was published on 30 October 2007.

This Final Rule Change Report on the Rule Change Proposal has been prepared by the IMO in accordance with clause 2.6.4 of the Market Rules.

Based on its analysis against the Market Objectives and the responses received from interested parties, the IMO's decision is to accept the Rule Change in the form outlined in this Final Report.

The amendments to clause 1.4.1(c) and to the definition of 'Business Day' in the Glossary in Chapter 11 of the Wholesale Electricity Market Rules will commence at 08.00am on 1 November 2007.

2. THE RULE CHANGE PROPOSAL

2.1. *The Submission*

Synergy submitted, on 20 September 2007, a Rule Change Proposal regarding the removal of clause 1.4.1(c) and the addition of a new clause 9.1.5, of the Wholesale Electricity Market Rules.

2.1.1. *Submission details*

Name: Jenni Conroy
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Organisation: Synergy
Date submitted: 20 September 2007
Urgency: High – Fast Track

2.2. *The Proposal*

Synergy noted that the current business day definition in the Market Rules states that a "business day means a day that is not a Saturday, Sunday or Public Holiday in Western Australia".

It also noted that all settlement payments in the Wholesale Electricity Market (WEM) are transacted through Austraclear (a Clearing and Settlement facility provided by the Sydney Futures Exchange), and that Austraclear can settle transactions when the Sydney Futures Exchange is open. This means that WEM transactions that fall due on a NSW state holiday or a bank holiday cannot be settled, as the Sydney Futures Exchange will be closed.

To avoid scheduling settlements on days when Austraclear is closed, Synergy proposed that the definition of a Business Day, as it applies specifically to the relevant settlement provisions in the Market Rules, be amended such that a "Business Day means a day that is not a Saturday, Sunday, or a public holiday (including a bank holiday) throughout Western Australia and/or Sydney (New South Wales)".

The Rules currently have two definitions of Business Day, one in Chapter 1 and another in Chapter 11 (the Glossary). In order to avoid having too many definitions of Business Day in the Rules, given that the term is also defined in the Glossary (Chapter 11), Synergy also proposed removing the definition of Business Day from clause 1.4.1 (c).

2.3. *The Proposal and the Market Objectives*

Synergy submitted that this Market Rule Change would assist the effective operation of settlement processes. Synergy submitted that the change would enable the Market Rules to better contribute to the achievement of the Wholesale Electricity Market Objective (a), by promoting the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West Interconnected System.

2.4. Amending Rules Proposed by Synergy

Synergy proposed the following changes to the Wholesale Electricity Market Rules:

Deleted clause 1.4.1(c)

- 1.4.1. In these Market Rules, unless the contrary intention appears:
- (a) (**Glossary**): a word or phrase listed in the Glossary in Chapter 11 has the has the meaning given in the Glossary;
 - (b) (**day**): a day means a calendar day;
 - ~~(c) (**business day**): a business day means a day that is not a Saturday, Sunday or a public holiday throughout Western Australia;~~
- [balance of clause not changed]

New clause 9.1.5

- 9.1.5. For the purpose of clauses 9.16.1(b), 9.16.2(e) and 9.16.4(d), a **Business Day** is a day that is not a Saturday, Sunday, or a public holiday (including a bank holiday) throughout Western Australia and/or Sydney (New South Wales).

2.5. The IMO's Initial Assessment of the Proposal

The IMO decided to proceed with the Rule Change Proposal on the basis of its preliminary assessment, which indicated that the Proposal was consistent with the Market Objectives.

The proposal was progressed using the Fast Track Rule Change process described in section 2.6 of the Wholesale Electricity Market Rules. The Fast Track Process was used as the proposal satisfied the requirements of clause 2.5.9 (a) of the Market Rules.

The change was considered to be of a procedural nature, aimed to adjust the Market Rules to reflect the availability of the transaction service Austraclear, which is used for all settlement payments in the WEM. The IMO considered that it is important that the market can settle in accordance with the timelines prescribed in the Market Rules, and the proposed change ensured that no settlement date is scheduled when Austraclear is closed due to a public or bank holiday in New South Wales.

Section 2.5.9 states:

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

- (a) *is of a minor or procedural nature; or*
- (b) *is required to correct a manifest error; or*
- (c) *is urgently required and is essential for the safe, effective and reliable operation of the market or the SWIS.*

3. RULE PARTICIPANTS CONSULTED

For this Rule Change, the IMO notified the following interested parties of its intention to consult:

- Alcoa World Alumina Australia
- Alinta Sales Pty Ltd
- Barrick (Kanowna) Limited
- Bioenergy Limited
- Economic Regulation Authority
- Eneabba Gas Pty Ltd
- Griffin Energy
- Karara Energy Pty Ltd
- Landfill Gas and Power Pty Ltd
- Mount Herron Engineering
- NewGen Power Kwinana Pty Ltd
- Newmont Australia Ltd.
- Office of Energy
- Perth Energy Pty Ltd
- Premier Power Sales Pty Ltd
- Synergy Energy
- System Management
- TransAlta Energy
- Verve Energy
- Wambo Power Ventures
- Waste Gas Resources Pty Ltd
- Water Corporation
- Western Australia Biomass Pty Ltd (Babcock and Brown)
- Western Power Corporation

In addition to the IMO's notification, an invitation for Rule Participants to contact the IMO, should they wish to be consulted on this Rule Change, was published on the IMO website on 2 October 2007.

The IMO requested the interested parties to provide their views on the Rule Change in writing.

The IMO received responses from Landfill gas and Power and System Management. Below is a summary of the received feedback.

3.1. Market Advisory Committee

The Market Advisory Committee (MAC) was invited to review the Proposal at its meeting on 10 October 2007.

MAC was in general support of the proposal by Synergy, but suggested an alternative approach to the drafting. It suggested that instead of inserting a new rule 9.1.5, that the words proposed for that new clause could be used in stead to amend the definition of 'Business Day' in the Glossary in Chapter 11.

3.2. *Landfill Gas and Power*

Landfill Gas and Power (LGP) expressed its support of the suggested change. LGP supported Synergy's concern that without the change, from time to time settlement would coincide with public or bank holidays in NSW and under these circumstances, settlement would not be able to occur consistent with the requirements of the Market Rules because of the non-availability of the Austraclear system.

3.3. *System Management*

System Management expressed its support for the proposed changes.

4. THE IMO'S ASSESSMENT AND DECISION

4.1. Assessment

4.1.1. Consultations

All parties responding to IMO's request for consultation expressed support for System Management's proposal. No party expressed any concerns or proposed any changes to the proposed amendments to the Market Rules.

4.1.2. The IMO's Assessment

According to clauses 2.4.2 of the Market Rules *"the IMO must not make Amending Rules unless it is satisfied that the Market Rules, as proposed to be amended or replaced, are consistent with the Wholesale Market Objectives"*.

The IMO' assessment against each of the Market Objectives is as follows:

(a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system

Assessment: It is important that the market can settle in accordance with the timelines prescribed in the Market Rules. By ensuring that no settlement date is scheduled when Austraclear is closed due to a public or bank holiday in New South Wales, this change will ensure that the settlement timelines in the Rules can be followed.

The IMO considers that the proposed changes are consistent with the operation of objective (a) of the Market Objectives. In its submission, Landfill Gas and Power supported this assessment.

(b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors

Assessment: The IMO considers that the proposed changes do not impact on, and therefore are consistent with, the operation of objective (b) of the Market Objectives.

(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

Assessment: The IMO considers that the proposed changes do not impact on, and therefore are consistent with, the operation of objective (c) of the Market Objectives.

(d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system

Assessment: The IMO considers that the proposed changes do not impact on, and therefore are consistent with, the operation of objective (c) of the Market Objectives.

(e) to encourage the taking of measures to manage the amount of electricity used and when it is used

Assessment: The IMO considers that the proposed changes do not impact on, and therefore are consistent with, the operation of objective (e) of the Market Objectives.

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

No implementation costs in regard to this change have been identified during the public consultations.

4.2. The IMO's Decision

The IMO's decision is to:

- Accept Synergy's proposed deletion of clause 1.4.1, but not the proposed insertion of a new clause 9.5.1. Instead, the words from Synergy's proposed new clause will be used to amend the definition of 'Business Day' in the Glossary that is contained in Chapter 11 of the Market Rules.

The IMO has made its decision on the basis that the resulting Amending Rules are consistent with the Market Objectives.

The wording of the relevant Amending Rules is presented in Section 5 of this Report.

4.3. Amending Rules Commencement

The amendments to clause 1.4.1 and to the Glossary contained in Chapter 11 of the Market Rules will commence at 08.00am on 1 November 2007.

5. AMENDING RULES

The following clauses will be amended as follows (~~deleted wording~~, new wording):

Amended clause 1.4.1(c)

1.4.1. In these Market Rules, unless the contrary intention appears:

- (a) (**Glossary**): a word or phrase listed in the Glossary in Chapter 11 has the has the meaning given in the Glossary;
- (b) (**day**): a day means a calendar day;
- (c) [Blank] (~~business day~~): a ~~business day~~ means a day that is not a ~~Saturday, Sunday or a public holiday throughout Western Australia;~~

[balance of clause not changed]

Amended Definition of Business Day in the Glossary

Business Day: A day that is not a Saturday, Sunday, or a public holiday throughout Western Australia. For the purpose of clauses 9.16.1(b), 9.16.2(e) and 9.16.4(d), a Business Day is a day that is not a Saturday, Sunday, or a public holiday (including a bank holiday) throughout Western Australia and/or Sydney (New South Wales).