
Wholesale Electricity Market Rule Change Proposal Form

Change Proposal No: RC_2008_13
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Change requested by

Name:	Pam Herbener
Phone:	(08) 9213 1966
Fax:	(08) 9213 1999
Email:	pam.herbener@era.wa.gov.au
Organisation:	<i>Economic Regulation Authority</i>
Address:	Level 6, 197 St Georges Terrace, PERTH WA 6000
Date submitted:	<i>5 March 2008</i>
Urgency:	<i>3-high – Fast Track</i>
Change Proposal title:	Economic Regulation Authority's Budget
Market Rule(s) affected:	2.24.5 (change), 2.24.5A (new)

Introduction

Market Rule 2.5.1 of the Wholesale Electricity 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 Independent Market Operator.

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

Independent Market Operator

Attn: Dora Guzeleva, Manager Market Administration
PO Box 7096
Cloisters Square, Perth, WA 6850

Fax: (08) 9254 4339
Email: marketadmin@imowa.com.au

The Independent Market Operator will assess the proposal and, within 5 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 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; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.

Details of the proposed Market 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 make provision for the Economic Regulation Authority (Authority) to recover Regulator Fees for its monitoring and regulation services. This provision is made under clause 2.24.5 and 2.24.6 of the Market Rules as follows:

2.24.5 The Economic Regulation Authority may recover a portion of its budget determined by the Minister responsible for the Economic Regulation Authority which corresponds to the costs incurred by the Economic Regulation Authority in undertaking its Wholesale Electricity Market Related functions and other functions under these Market Rules from the collection of Regulator Fees under these Market Rules.

2.24.6 By the date which is five Business Days prior to 30 June each year, the Economic Regulation Authority must notify the IMO of the dollar amount that the Economic Regulation Authority may recover under 2.24.5.

There is currently no provision in the rules for an adjustment of costs to be made from one year to another. The requirement of Clause 2.24.6 to provide the IMO the dollar amount that the Authority can recover five business days prior to 30 June, without the ability to adjust that figure, creates a risk that the Market could be over-charged or under-charged for the Regulator Fees.

Prior to commencement of the Market in May 2006 a clear interpretation of “costs incurred” was not taken into account and the Regulator Fees for 2006/07 reflected the estimated costs of the Authority’s Market functions related to that year. During 2006/07 the Authority became aware that reference to “costs incurred” is interpreted to mean the costs of the previous year (past tense).

In May 2006 an estimate of \$311,416 for 2006/07 was provided to the IMO as the Regulator Fees. In June 2007, the Authority advised the IMO that the actual costs incurred in relation to 2006/07 was \$586,848 and the Authority only sought to recover the difference between the estimated and actual costs for 2006/07, of \$275,432, in 2007/08.

If the rule change proposal is approved, the Authority will advise the IMO that its estimate of Regulator Fees in 2008/09 will consist of \$1,322,884 being \$665,388 resulting from the under charge in 2007/08 for the period July 2007 – March 2008 and \$657,496 being the Authority's current anticipated costs for April 2008 – March 2009.

2. Explain the reason for the degree of urgency:

The proposed rule change will need to be in force by 1 June 2008 to facilitate appropriate recovery of costs relating to the Authority's Wholesale Electricity Market functions and therefore the Economic Regulation Authority considers that this request should be processed using the fast track processes allowed for by the Market Rules. It is a minor rule change that does not seek to change the intent of the existing rules. It merely ensures the practical administration of the Regulator Fees and that the market will not be over or under charged Regulator Fees.

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)

2.24.5 The Economic Regulation Authority may recover a portion of its budget determined by the Minister responsible for the Economic Regulation Authority which corresponds to the costs ~~incurred by~~ of the Economic Regulation Authority in undertaking its Wholesale Electricity Market related functions and other functions under these Market Rules from the collection of Regulator Fees under these Market Rules.

2.24.5A Where the revenue earned via Regulator Fees in the previous Financial Year is greater than or less than the Economic Regulation Authority expenditure related to the functions described in clause 2.24.5 for that Financial Year, the current year's budget must take this into account by decreasing the budgeted revenue by the amount of the surplus or adding to the budgeted revenue the amount of any shortfall, as the case may be.

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

The function of the Authority is to monitor the market in meeting the Wholesale Market Objectives. The adequacy of funding the Authority receives under the Market Rules will enable it to be better resourced to perform its functions more effectively. The adequacy of proper resourcing is crucial to the Authority's ability to monitor the Wholesale Electricity Market and assess whether the objectives of the Market are being met.

In particular the proposed change will ensure that the long term cost of electricity supplied to customers from the South West interconnected system are minimised.

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

The change will allow for the funding of Regulator Fees in the financial year they relate to. The change will also mitigate the risk of the Market being under-charged or over-charged for Regulator Fees. There are no identifiable costs associated with this proposed rule change. The rule change will ensure that the market knows the expected cost associated with Regulator Fees in advance of such costs being incurred.
