



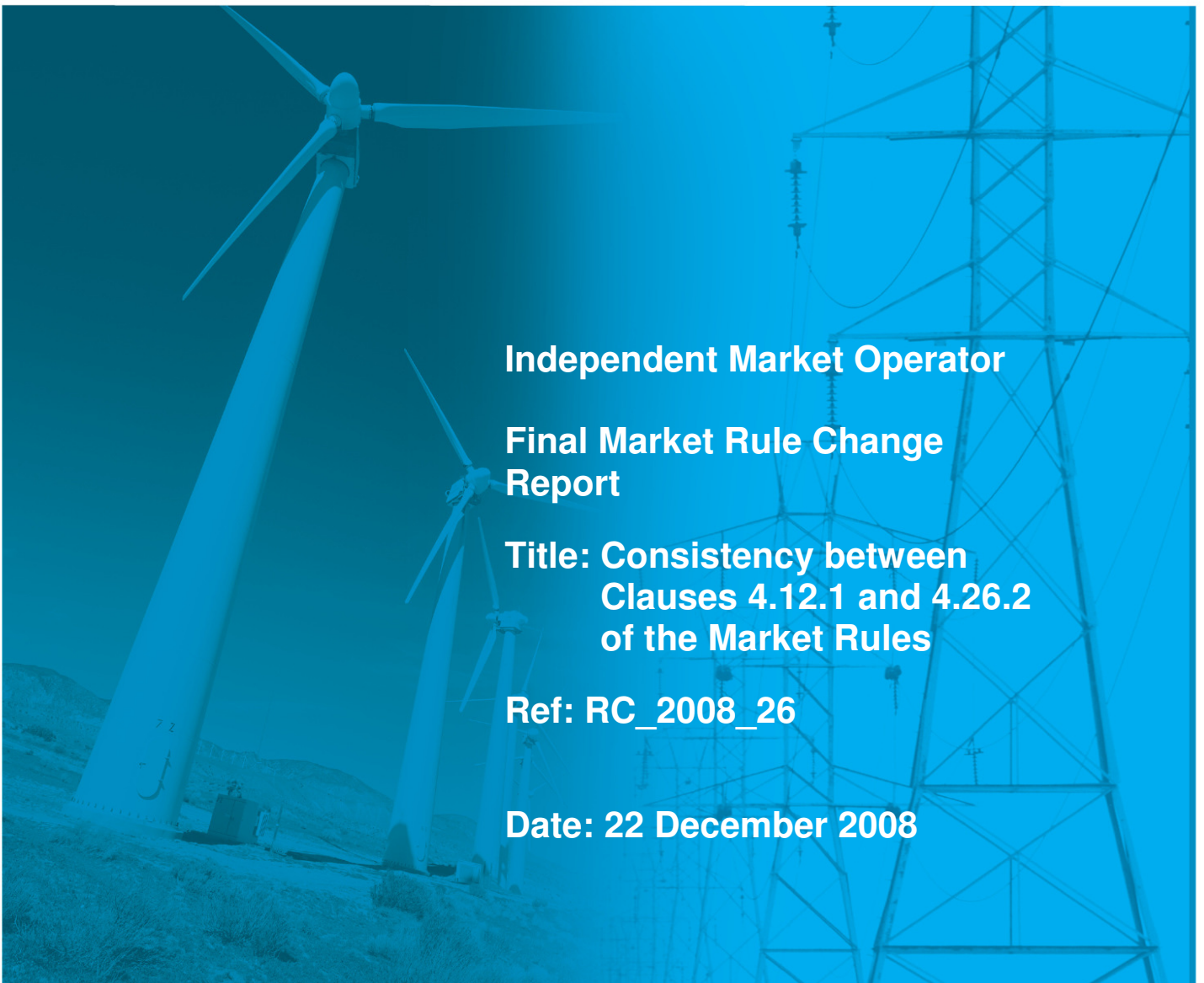
Independent Market Operator

**Final Market Rule Change
Report**

**Title: Consistency between
Clauses 4.12.1 and 4.26.2
of the Market Rules**

Ref: RC_2008_26

Date: 22 December 2008



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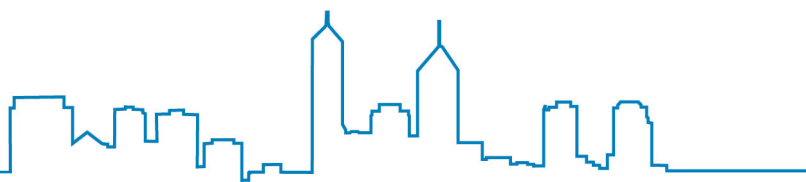
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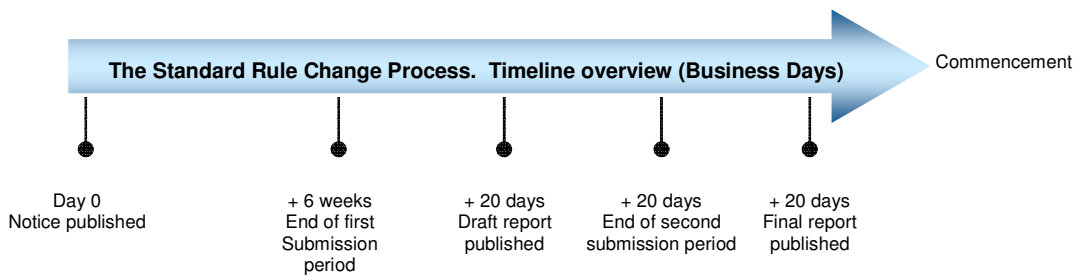


1. INTRODUCTION

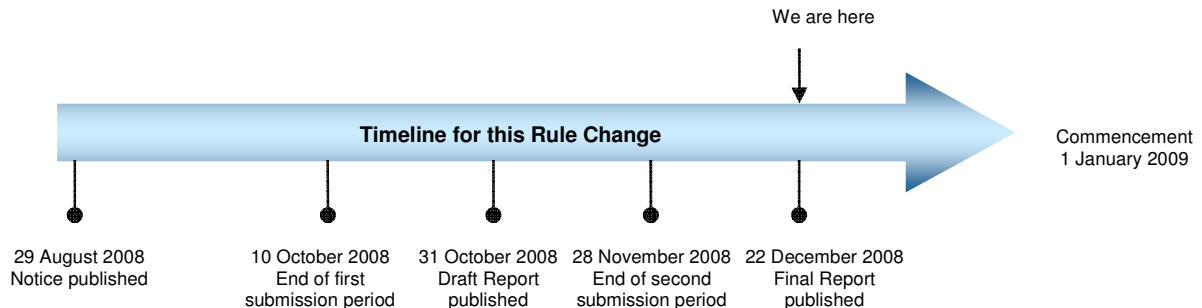
On 28 August 2008, the Independent Market Operator (IMO) submitted a Rule Change Proposal regarding changes to clause 4.12.1 of the Wholesale Electricity Market Rules (Market Rules).

This Proposal was processed using the Standard Rule Change Process, described in section 2.7 of the Market Rules.

The standard process adheres to the following timelines:



The key dates in processing this Rule Change Proposal are:



Based on the submissions received, the IMO's final decision is to implement the Rule Change Proposal in the form outlined in section 7 of this Report.

This Final Rule Change Report on the Rule Change Proposal has been prepared by the IMO in accordance with clause 2.7.8 of the Market Rules.

The amendments to the Market Rules made as a result of this Rule Change Proposal will commence at 08.00am on 1 January 2009.

2. THE RULE CHANGE PROPOSAL

2.1 Submission Details

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Organisation:	Independent Market Operator
Address:	Level 3, 197 St George's Terrace, Perth WA 6000
Date submitted:	28/08/2008
Urgency:	Low
Change Proposal title:	Consistency between Clauses 4.12.1 and 4.26.2 of the Market Rules

2.2 Details of the Proposal

The IMO submitted that Market Participant Reserve Capacity obligations are set out in clause 4.12.1. Obligations under sub-clauses 4.12.1(a) and 4.12.1(b) are set out in more detail in clause 4.26.2.

The IMO noted that in December 2006 and July 2007 changes were made to clause 4.26.2 where on both occasions corresponding changes were not made to clause 4.12.1. The IMO proposed to modify clause 4.12.1 so that it is consistent with clause 4.26.2.

The IMO submitted that clause 4.26.2 calculates the capacity made available to the market by market generators including those also registered as Market Customers and determines any shortfall from Reserve Capacity obligations.

The components used in the calculation include:

- a. the MW equivalent of the Capacity Credits held by the Market Participant in its Interruptible Loads and Curtailable Loads;
- b. the MW equivalent of the net energy sent out by the Market Participant as determined from its Net Contract Position;
- c. the MW equivalent of the STEM offers not scheduled and the MW equivalent of the STEM bids scheduled;
- d. if there is no STEM submission, then substituting (c) above with the MW equivalent of the Market Participant's own demand as indicated in its Resource Plan;



- e. the capacity set aside from the STEM to provide ancillary services; and
- f. capacity not covered in the STEM submission because of forced outage but made available in real time.

The IMO submitted that the purpose of the changes to sub-clauses 4.12.1(a) and 4.12.1(b) is to make the obligations contained therein consistent with the requirements set out in clause 4.26.2.

2.3 The Proposal and the Market Objectives

The IMO's submission regarding how the amendments will allow for the Market Rules to better address the market objectives can be found in section 6.1.2 of this report.

2.4 The Amending Rules Proposed by the IMO

The amendments to the Market Rules proposed by the IMO are available in section 7 of this report.

2.5 The IMO's Initial Assessment of the Proposal

The IMO decided to proceed with the proposal on the basis of its preliminary assessment, which indicated that the proposal was consistent with the Wholesale Market Objectives. The preliminary assessment was published in a Rule Change Notice on 29 August 2008.

3. SUBMISSIONS RECEIVED IN THE FIRST SUBMISSION PERIOD

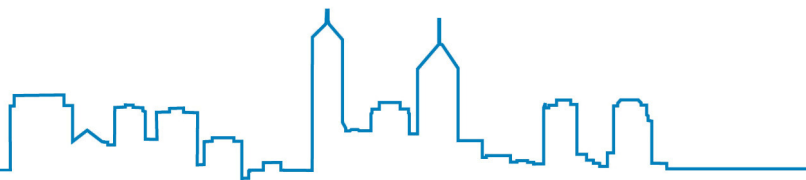
The first submission period for this Rule Change Proposal was between 29 August 2008 and 10 October 2008. The IMO received two submissions, from Landfill Gas and Power Pty Ltd (LGP) and Synergy. The submissions are summarised below, and the full text is available on the IMO website.

3.1 Market Advisory Committee

The Market Advisory Committee (MAC) discussed the proposed Rule Change at two consecutive meetings, 8 August 2008 and 10 September 2008. MAC supported the Rule Change as proposed and agreed that the Rule Change Proposal should be formally submitted by the IMO.

3.2 Submission from LGP

LGP supported the Rule Change Proposal on the grounds that neglecting to harmonise a previous Rule Change with all relevant clause is an administrative oversight (manifest error).



LGP supported the IMO's contention that the proposal supports market objective (a) by improving clarity and reducing uncertainty.

3.3 Submission from Synergy

Synergy supported this Rule Change on the basis that it provides essential consistencies between clauses 4.12.1 and 4.26.2 of the Market Rules.

3.4 Public Forums and Workshops

No public forums or workshops were held in relation to this Rule Change.

4. THE IMO'S DRAFT DECISION

The IMO's draft decision was to implement the proposed amendments to clause 4.12.1 of the Market Rules so that the reserve capacity obligations are consistent with the requirements outlined in clause 4.26.2.

The IMO made its draft decision on the basis that the resulting Amending Rules will allow the Market Rules to better address the Wholesale Market Objectives.

The wording of the relevant Amending Rules is presented in section 7 of this Report.

5. SUBMISSIONS RECEIVED IN THE SECOND SUBMISSION PERIOD

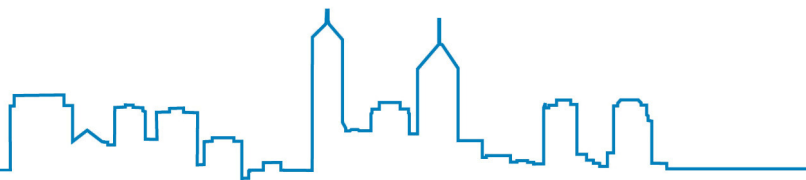
Following the Draft Rule Change Report publication on the IMO website, the second submission period was between 3 November 2008 and 28 November 2008. The IMO did not receive any formal submissions during this period.

6. THE IMO'S ASSESSMENT AND THE IMO'S FINAL DECISION

6.1 Assessment

6.1.1 Submissions

No interested party expressed concerns regarding the amendments to the Market Rules outlined in the Draft Rule Change Report. The IMO therefore considers that both the proposal and the IMO's draft decision have the support of the Participants in the Wholesale Electricity Market.



6.1.2 The IMO's Assessment

According to clause 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 considers that the proposed Amending Rules will have the following impact on how the Market Rules address the Wholesale Market Objectives:

Impact	Wholesale Market Objectives
Allow the Market Rules to better address objective	a
Consistent with objective	b, c, d and e
Inconsistent with objective	-

The IMO's assessment against market objective (a) 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.

This proposed Rule Change is required to improve clarity and remove uncertainty surrounding the application of the Rules and is therefore expected to enhance efficiency in the operation of the market.

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.

The proposed changes will not require any changes to the Wholesale Electricity Market Systems operated by the IMO. No other costs have been identified in relation to the implementation of the proposed changes.

6.2 The IMO's Final Decision

The IMO's final decision is to implement the proposed amendments to clause 4.12.1 of the Wholesale Electricity Market Rules.

The wording of the relevant amendments is provided in section 7 of this report.

The IMO has made its decision on the basis that the Amending Rules will allow the Market Rules to better address the Wholesale Market Objectives.

6.3 Amending Rules Commencement

The amendments resulting to the Market Rules resulting from this Rule Change Proposal will commence at 8:00am on 1 January 2009.

7. AMENDING RULES

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

- 4.12.1. The Reserve Capacity Obligations of a Market Participant holding Capacity Credits, are as follows:
- (a) a Market Participant (other than the Electricity Generation Corporation) must ensure that for each Trading Interval:
 - i. the aggregate MW equivalent of the quantity of Capacity Credits held by the Market Participant applicable in that Trading Interval for Interruptible Loads and Curtailable Loads registered by the Market Participant; plus
 - ii. the MW quantity calculated by doubling the net ~~total~~ MWh quantity of energy to be sent out during the Trading Interval by Facilities registered by that Market Participant, ~~as indicated in the applicable Resources Plans~~; plus
 - iiA if a STEM submission does not exist for that Trading Interval, the MW quantity calculated by doubling the total MWh quantity of energy to be consumed by that Market Participant including demand associated with any Curtailable Load or Interruptible Load, but excluding demand associated with any Dispatchable Load, during that Trading Interval as indicated in the applicable Resource Plan; plus
 - iii. the MW quantity calculated by doubling the total MWh quantity covered by STEM Offers which were not scheduled and the STEM Bids which were scheduled in the relevant STEM Auction determined by the IMO for that Market Participant under clause 6.9 for that Trading Interval, corrected for loss factor adjustments so as to be a sent out quantity; plus
 - iv. capacity expected to experience a forced outage at the time that STEM submissions were due which becomes available in real time,
- is not less than the total Reserve Capacity Obligation Quantity for that Trading Interval for Facilities registered by the Market Participants, less double the

total MWh quantity to be provided as Ancillary Services as specified by the IMO for that Market Participant in accordance with clause 6.3A.2(e)(i).

(b) the Electricity Generation Corporation must ensure that for each Trading Interval:

i. [Blank]

iA. the aggregate MW equivalent of the quantity of Capacity Credits held by the Electricity Generation Corporation applicable in that Trading Interval for Interruptible Loads and Curtailable Loads registered by the Electricity Generation Corporation; plus

ii. the MW quantity calculated by doubling the total MWh quantity which the Electricity Generation Corporation is selling to other Market Participants as indicated by the applicable Net Contract Position of the Electricity Generation Corporation, corrected for loss factor adjustments so as to be a sent out quantity; plus

iii. the MW quantity calculated by doubling the total MWh quantity covered by STEM Offers which were not scheduled and the STEM Bids which were scheduled in the relevant STEM Auction determined by the IMO for the Electricity Generation Corporation under clause 6.9 for that Trading Interval, corrected for loss factor adjustments so as to be a sent out quantity; plus

iv. capacity expected to experience a forced outage at the time that STEM submissions were due which becomes available in real time.

is not less than the total Reserve Capacity Obligation Quantity for the Electricity Generation Corporation for that Trading Interval, less double the total MWh quantity to be provided as Ancillary Services as specified by the IMO for the Electricity Generation Corporation in accordance with clause 6.3A.2(e)(i).

(c) the Market Participant must make the capacity associated with the Capacity Credits provided by a Facility applicable to a Trading Interval, up to the Reserve Capacity Obligation Quantity for the Facility for that Trading Interval, available for dispatch by System Management in accordance with Chapter 7.

8. GENERAL INFORMATION ABOUT RULE CHANGE PROPOSALS

Clause 2.5.1 of the Wholesale Electricity Market Rules (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 Market Objectives. The market objectives 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 Rule Change Process or a Fast Track Rule Change 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.

