



Independent Market Operator

**Final Market Rule Change
Report**

**Title: Removal of Appendix 8 –
“Top-up and Spill Rules”**

Ref: RC_2009_41

Date: 17 December 2009

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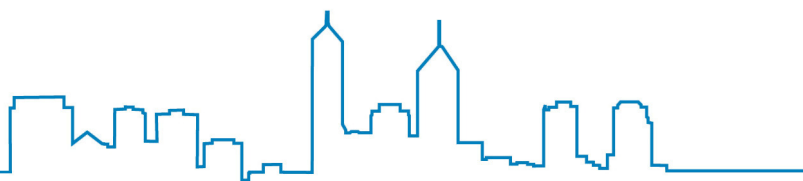
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Independent Market Operator

Level 3, Governor Stirling Tower
197 St George's Terrace, Perth WA 6000
PO Box 7096, Cloisters Square, Perth WA 6850
Tel. (08) 9254 4300
Fax. (08) 9254 4399
Email: imo@imowa.com.au
Website: www.imowa.com.au

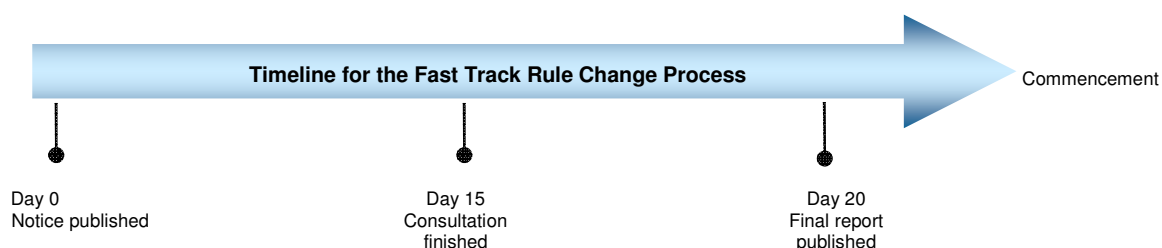


1. INTRODUCTION

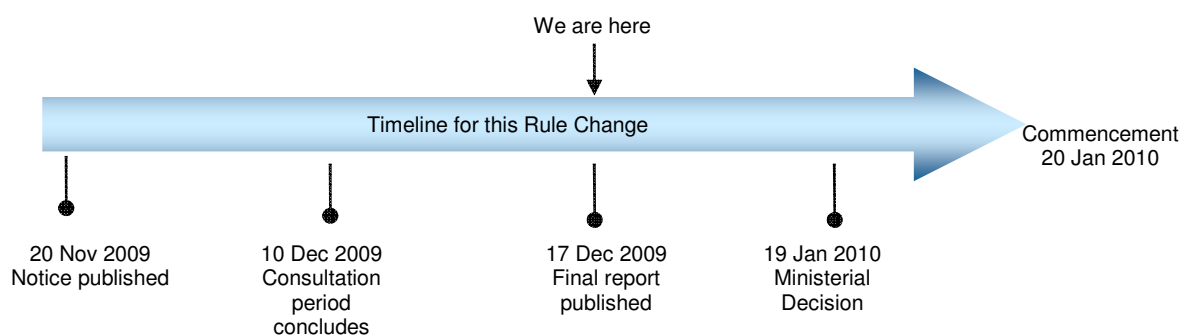
On 20 November 2009 the Independent Market Operator (IMO) initiated a Rule Change Proposal regarding amendments to clauses 1.8.2, 1.9.7, 1.9.8, 1.9.9, 1.9.10 and Appendix 8.

This Proposal was processed using the Fast Track Rule Change Process, described in section 2.6 of the Wholesale Electricity Market (Wholesale Electricity Market) Rules (Market Rules).

The fast track process adheres to the following timelines:



The key dates in processing this Rule Change Proposal are:



The IMO's final decision is to implement the Rule Change Proposal in the form outlined in section 6.2 of this report. The decision is based on the IMO's assessment of the Rule Change Proposal against the:

- Wholesale Market Objectives;
- practicality and cost of implementing the proposal;
- Market Advisory Committee's (MAC) recommendations; and
- outcomes from the public consultation period.

The amendments to the Market Rules made as a result of this Rule Change Proposal will commence at 8.00am on 20 January 2010.

All documents related to this Rule Change Proposal can be found on the IMO website: http://www.imowa.com.au/RC_2009_41

2. THE RULE CHANGE PROPOSAL

2.1 Submission Details

Name:	Jacinda Papps
Phone:	(08) 9254 4300
Fax:	(08) 9254 4399
Email:	imo@imowa.com.au
Organisation:	IMO
Address:	Level 3, Governor Stirling Tower, 197 St George's Terrace
Date submitted:	20 November 2009
Urgency:	Low
Change Proposal title:	Removal of Appendix 8 – “Top-up and Spill rules”
Market Rules affected:	Clauses 1.8.2, 1.9.7, 1.9.8, 1.9.9, 1.9.10 and Appendix 8

2.2 Details of the Proposal

Appendix 8 of the Market Rules outlines the Top-up and Spill Rules (TUAS). These rules were provided as a precursor to the progressive implementation of the WEM. The TUAS ceased operations after the WEM balancing and trading arrangements commenced. Therefore Appendix 8 is no longer required in the Market Rules.

Retention of Appendix 8 makes the Market Rules needlessly lengthy and potentially confusing to Market Participants.

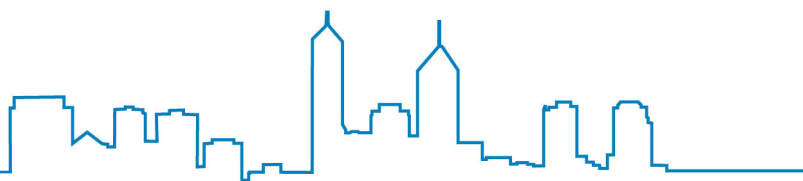
The IMO proposed to remove Appendix 8 and references to it in the Market Rules.

2.3 The Proposal and the Wholesale Market Objectives

The IMO submitted that the proposed Amending Rules will improve the integrity of the Market Rules, and are consistent with the Wholesale Market Objectives.

2.4 The Amending Rules Proposed by the IMO

The amendments to the Market Rules originally proposed by the IMO are provided in section 6.2 of this final report.



2.5 The IMO's Initial Assessment of the Proposal

The IMO conducted a preliminary assessment of the Rule Change Proposal. This assessment indicated that the proposal was consistent with the Wholesale Market Objectives.

The IMO decided to progress this Rule Change Proposal using the Fast Track Rule Change Process, described in section 2.6 of the Market Rules, on the basis that it satisfied the criteria in section 2.5.9(a) of the Market Rules. All amendments included in this proposal are of a minor and typographical nature.

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. CONSULTATION

An invitation for all Rule Participants to contact the IMO, should they wish to be consulted on this Rule Change, was published on the IMO website on 20 November 2009, together with the Rule Change Notice.

The consultation period for this Rule Change Proposal was between 20 November 2009 and 10 December 2009. Interested stakeholders were requested to inform the IMO if they wished to be consulted on this Rule Change Proposal by 26 November 2009.

The IMO did not receive any requests to be consulted on this Rule Change Proposal, but received out-of-session submissions from Landfill Gas & Power (LGP), Synergy and Perth Energy before the consultation period closed. The details of these out-of-session submissions are summarised below, with full text available on the IMO's website.

3.1 Submission from Landfill Gas & Power

LGP supports the Rule Change Proposal on the grounds that the rules in question no longer apply and the Market Rules should be tidied to reduce their length and avoid confusion.

LGP supported the fast tracking of the proposal as it is of minor consequence.

3.2 Submission from Synergy

Synergy supports the Rule Change Proposal as Appendix 8 is no longer required in the Market Rules. Synergy notes that the TUAS service ceased operation after the WEM Balancing and trading arrangements commenced at market start.

Synergy considers that the removal of Appendix 8 will ensure that the Market Rules more concise and less confusing, particularly to new Market Participants, and as such will be consistent with the Wholesale Market Objectives.

3.3 Submission from Perth Energy

Perth Energy agrees with the IMO that it is unnecessary to contain the entire set of previous electricity market arrangements within the current Market Rules.

Perth Energy considers that the proposed changes could be considered a “house keeping” proposal and that the changes are of a minor nature. As a result, Perth Energy considers that it is appropriate the Rule Change Proposal follows the Fast Track Rule Change Process.

Perth Energy considers the proposed changes will have a positive impact on Wholesale Market Objective (a) by reducing the printing costs for Market Participants and other interested parties.

4. THE IMO’S ASSESSMENT

In preparing this Final Rule Change Report, the IMO must assess the Rule Change Proposal in light of clauses 2.4.2 and 2.4.3 of the Market Rules.

Market Rule 2.4.2 outlines that 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”.

Additionally, clause 2.4.3 states, when deciding whether to make Amending Rules, the IMO must have regard to the following:

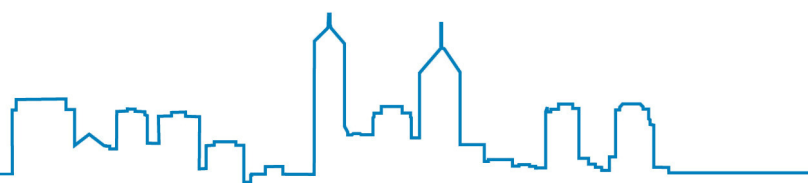
- Any applicable policy direction from the Minister regarding the development of the market;
- The practicality and cost of implementing the proposal;
- The views expressed in submissions and by the MAC; and
- Any technical studies that the IMO considers necessary to assist in assessing the Rule Change Proposal.

The IMO notes that there has not been any applicable policy direction from the Minister, nor any technical studies commissioned in respect of this Rule Change Proposal.

This IMO’s assessment is outlined in the following sections.

4.1 Wholesale Market Objectives

The IMO considers that the Market Rules as a whole, if amended, will be consistent with the Wholesale Market Objectives.



Wholesale Market Objective	Consistent with objective
(a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system	Yes
(b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors	Yes
(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	Yes
(d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system	Yes
(e) to encourage the taking of measures to manage the amount of electricity used and when it is used	Yes

4.2 Practicality and cost of implementation

The proposed changes do not require any change to the Wholesale Electricity Market Systems operated by the IMO or any of the systems operated by System Management.

Aside from a reduction in printing costs, there have been no additional costs identified with the implementation of this Rule Change Proposal.

4.3 Views expressed in submissions

The IMO did not receive any formal requests for consultation, although the IMO received three out-of-session submissions before the end date for consultation. These submissions were in favour of the Rule Change Proposal.

4.4 Views of the Market Advisory Committee

The MAC noted the Rule Change Proposal at the 9 December 2009 meeting.

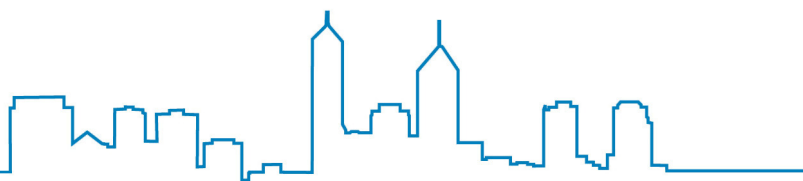
5. THE IMO'S FINAL DECISION

The IMO's final decision is to implement the amendments to clauses 1.8.2, 1.9.7, 1.9.8, 1.9.9, 1.9.10 and Appendix 8.

5.1 Reasons for the decision

The IMO has made its decision on the basis that the Amending Rules:

- are consistent with the Wholesale Market Objectives;
- were noted by the MAC;
- can be easily implemented at no additional cost to the market; and



- will result in a small cost savings to the market associated with reduced printing costs.

Additional detail outlining the analysis behind the IMO's reasons is outlined in section 4 of this Final Rule Change Report.

6. AMENDING RULES

6.1 Commencement

The amendments to the Market Rules resulting from this Rule Change Proposal will commence at **8:00am** on **20 January 2010**.

6.2 Amending Rules

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

- 1.8.2. Chapter 1, Chapter 4, and Chapter 11 ~~and Appendix 8~~ commence when these Market Rules are made.
- 1.9.7. [Blank] ~~For the purposes of Regulation 4(3), Appendix 8 of these Market Rules has effect instead of the top-up and spill rules.~~
- 1.9.8. [Blank] ~~Where a word or a phrase is defined in Appendix 8 that word or phrase is defined for the purposes of Appendix 8 only.~~
- 1.9.9. [Blank] ~~Where in Appendix 8 there is a reference to a rule, a clause, a chapter or an appendix those references are confined to Appendix 8 only.~~
- 1.9.10. [Blank] ~~Appendix 8 ceases to have effect at Energy Market Commencement. The settlement of any transactions allowed under Appendix 8 and not settled by Energy Market Commencement must be conducted in accordance with Appendix 8 following Energy Market Commencement.~~

Appendix 8: Top-up and Spill Rules [Blank]

<Delete all of Appendix 8 as indicated below>

PREFACE

~~The first steps towards electricity reform were based on providing open access to Western Power's electricity transmission and distribution systems so that Independent Power Producers (IPPs) could directly supply customers whose demand exceeds the contestability threshold level. One requirement placed upon IPPs was that they balance their generation output with their load demands at all times. This required investment in load following equipment that made~~

supply to smaller customers, those with demand less than a few megawatts, uneconomic. In recognition that perfect balancing was not possible, some tolerance was permitted but any imbalance beyond relatively low levels could incur significant costs.

In November 2002, Government accepted a recommendation from the Electricity Reform Task Force that Western Power be required to provide an improved transitional balancing service, a Top-up and Spill service, until the reformed electricity market, including a new balancing service, is fully operational. (ERTF Recommendation 76.)

<.... delete all text until...>

A6.54 — The *arbitrator* may increase the period of three months specified in clause A6.53 by periods of up to one month on one or more occasions provided it provides the parties (and each person who has made a written submission to the *arbitrator*) with a notice of the decision to increase the period.

A6.55 — The *arbitrator* need not before making a decision under clause A6.51(b) issue a draft decision.

A6.56 — *Generation and Networks* must comply with a decision of the *arbitrator* made under this Appendix 6 from the date specified by the *arbitrator*.

<Deletion of Appendix 8 complete>

