

The background of the lower section is a photograph of a wind farm and power lines, overlaid with a semi-transparent blue filter. On the left, several white wind turbines are visible, with their blades extending outwards. On the right, a tall metal lattice tower for power lines stands prominently. The overall scene is set against a clear sky.

Independent Market Operator

Rule Change Notice
Title: Bilateral Submission
Window

Ref: RC_2010_10

Standard Rule Change Process

Date: 17 May 2010

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1. THE RULE CHANGE PROPOSAL

1.1. The Submission

On 17 May 2010 Verve Energy submitted a Rule Change Proposal regarding amendments to clause 6.4.6 of the Wholesale Electricity Market Rules (Market Rules).

This Rule Change Notice is published according to clause 2.5.7 of the Market Rules, which requires the Independent Market Operator (IMO) to publish a notice within 7 Business Days of receiving a Rule Change Proposal.

1.1.1 Submission details

| | |
|---------------------------------|--|
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| Date submitted: | 17 May 2010 |
| Urgency: | Standard Rule Change process |
| Change Proposal title: | Bilateral Submission Window |
| Market Rule(s) affected: | 6.4.6 |

1.2. Details of the Proposal

Background

In its proposal Verve Energy notes that chapter 6 of the Market Rules prescribes a strict timetable for the events leading up to the start of each Trading Day. Under normal circumstances, Market Generators are able to make Bilateral and STEM submissions in accordance with that timetable. Verve Energy notes that by inference, to facilitate those submissions, the IMO must, for each Trading Day:

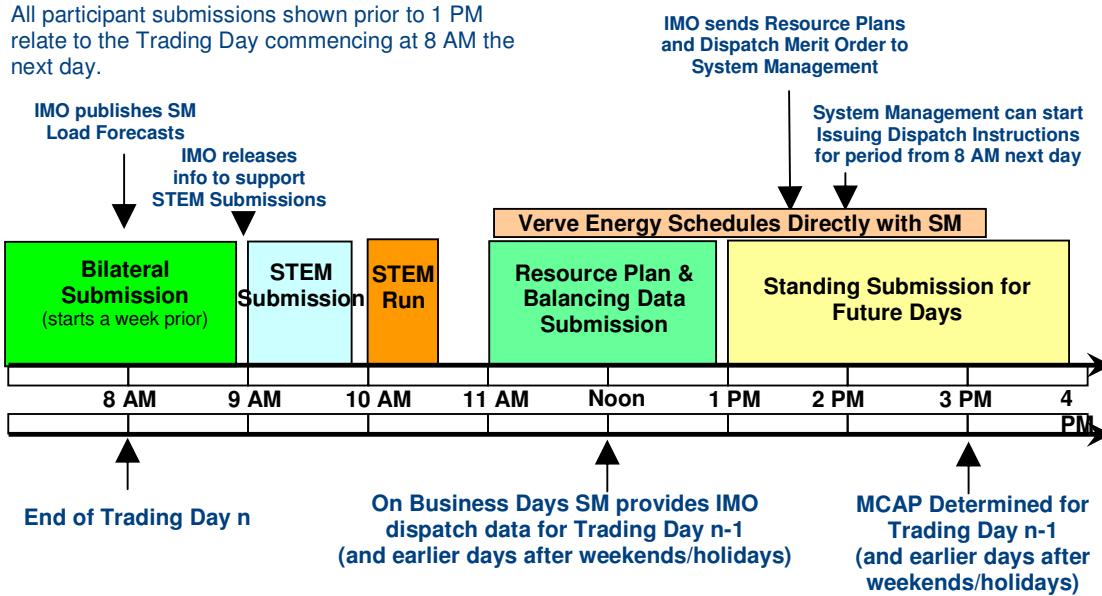
- open the Bilateral Submission window at 8:00 AM on the day one week prior to the Scheduling Day, and ending at 8:50 AM on the Scheduling Day (clause 6.2.1);
- open the STEM Submission window between 9:00 AM and 9:50 AM on the Scheduling Day (clause 6.3B.1);
- run the STEM Auction and publish the results to participants between 10:00 AM and 10:30 AM on the Scheduling Day (clauses 6.4.1, 6.4.2 and 6.4.3);
- open the Resource Plan and Balancing Data Submission windows between 11:00 AM and 12:50 PM on the Scheduling Day (clauses 6.5.1 and 6.5A.1); and



- determine the Dispatch Merit Orders and provide System Management with Resource Plans, Dispatch Merit Orders and Fuel Declarations by 1:30 PM on the Scheduling Day (clauses 6.12.1, 7.4.1 and 7.5.1).

Verve Energy presents the following diagram to summarise this timeline:

Key Events in the Energy Market



All times are in Western Standard Time

To assist participants with their submissions, Verve Energy notes that the IMO publishes several reports during the Scheduling Day. These reports are also published according to a strict timetable, with different reports due by 8:00 AM, 8:30 AM, 9:00 AM, 9:05 AM and 9:30 AM on the Scheduling Day (clauses 6.2.3, 6.2.8 and 6.3A).

Issue

In the event of an IMO system failure, Verve Energy notes that clause 6.4.6 allows the IMO to extend one or more of the timelines prescribed in clauses 6.3A, 6.3B and 6.4 for up to two hours. Clauses 6.5.1, 6.5A.1 and 7.4.1 allow these extensions to flow through to the deadlines for the Resource Plan and Balancing Data Submission windows, the IMO determination of the Dispatch Merit Order and the provision of Resource Plans to System Management.

However, Verve Energy states that the Market Rules do not permit the IMO to delay the closing of the Bilateral Submission window in the event of an IMO system failure. There is also no provision to delay the publication of Bilateral Submission quantities to Market Participants (clauses 6.2.3 and 6.2.8).



Verve Energy considers that it is beneficial to the market to have the STEM outcome as reflective of the conditions on the Trading Day as possible. Market Participants could thus firm up their bilateral contract quantities as late as possible to take into consideration better assessment of demand and plant performance expected for the Trading Day a day ahead. Verve Energy notes that this means that despite the length of the Bilateral Submission window (seven days and 50 minutes) the IMO would expect Bilateral Submissions to be firmed up closer to the close of the Bilateral Submission window. Thus, if the IMO experiences a system failure just prior to the window closure, a Market Generator may be unable to make an updated Bilateral Submission that accurately reflects its final contract position.

Verve Energy notes that the problem affects the accuracy of the Bilateral Submission quantities for both the Market Generator and its bilateral contract partners. This inaccuracy will then result in STEM prices not reflective of the conditions expected for the Trading Day. Verve Energy considers that this STEM outcome will affect most Market Participants. Further, Verve Energy considers that any attempts to compensate through adjustments to STEM submissions are complex, prone to error and, if incorrect, may have unforeseen impacts on the calculation of STEM clearing prices.

Proposal

Verve Energy proposes that the timelines for the Bilateral Submission window and the publication of Bilateral Submission quantities be added to the set of timelines that can be delayed by up to two hours in the event of an IMO system failure.

1.3. The Proposal and the Wholesale Market Objectives

Verve Energy submits that the proposed changes would allow the Market Rules to better address Wholesale Market Objectives (a) and indirectly (b) and (d).

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

Verve Energy considers that by design, bilateral contracts cover most of the sales in the Wholesale Electricity Market. Inaccurate Bilateral Submissions will lead to inaccurate STEM Offers and STEM Bids. This will result in STEM prices not reflective of the expected system load and generation cost.

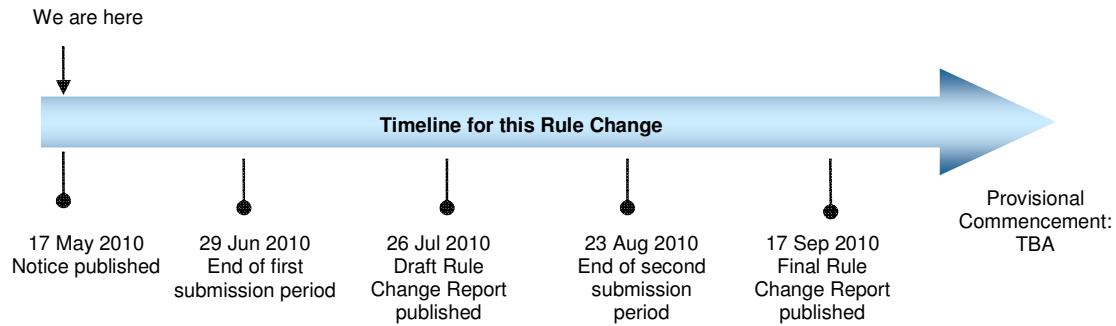
2. WHETHER THE PROPOSAL WILL BE PROGRESSED FURTHER

The IMO has decided to proceed with this proposal on the basis that Market Participants should be given an opportunity to provide submissions as part of the rule change process.

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

The projected timelines for processing this proposal are:





3. CALL FOR SUBMISSIONS

The IMO is seeking submissions regarding this proposal. The submission period is 30 Business Days from the publication date of this Rule Change Notice. Submissions must be delivered to the IMO by 5:00pm on **Tuesday, 29 June 2010**.

The IMO prefers to receive submissions by email to market.development@imowa.com.au using the submission form available on the IMO website: <http://www.imowa.com.au/rule-changes>.

Submissions may also be sent to the IMO by fax or post, addressed to:

Independent Market Operator
 Attn: Manager Market Development and System Capacity
 PO Box 7096
 Cloisters Square, Perth, WA 6850
 Fax: (08) 9254 4399

4. PROPOSED AMENDING RULES

Verve Energy proposes the following amendments to the Market Rules (~~deleted text~~, added text):

- 6.4.6. In the event of a software system failure at the IMO site or its supporting infrastructure, which prevents the IMO from completing the relevant processes, the IMO may extend one or more of the timelines prescribed in sections 6.2, 6.3A, 6.3B and this section 6.4, subject to:
- (a) any such extension not resulting in more than two hour delay to any of the timelines prescribed in sections 6.2, 6.3A, 6.3B and this section 6.4; and
 - (b) any such extension maintaining 50 minute window between the timelines prescribed in 6.3B.1(a) and 6.3B.1(b) as extended by the IMO;



and the IMO must advise Rule Participants of any such extension as soon as practicable.

5. ABOUT RULE CHANGE PROPOSALS

Any person (including the IMO) may make a Rule Change Proposal by completing a Rule Change Proposal Form and submitting this to the IMO (Clause 2.5.1 of the Market Rules).

The IMO will assess the proposal and, within 5 Business Days of receiving the proposal form, will notify the proponent whether the proposal will be progressed further.

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; and
- (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, while the fast track process involves the IMO consulting with Rule Participants who either advise the IMO that they wish to be consulted or the IMO considers have an interest in the change.