



Independent Market Operator

**Final Rule Change Report:
Certification of Reserve
Capacity**

Ref: RC_2010_14

Date: 12 May 2011

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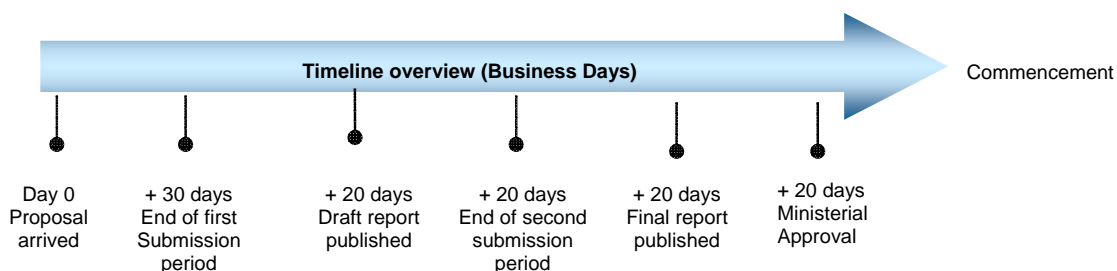
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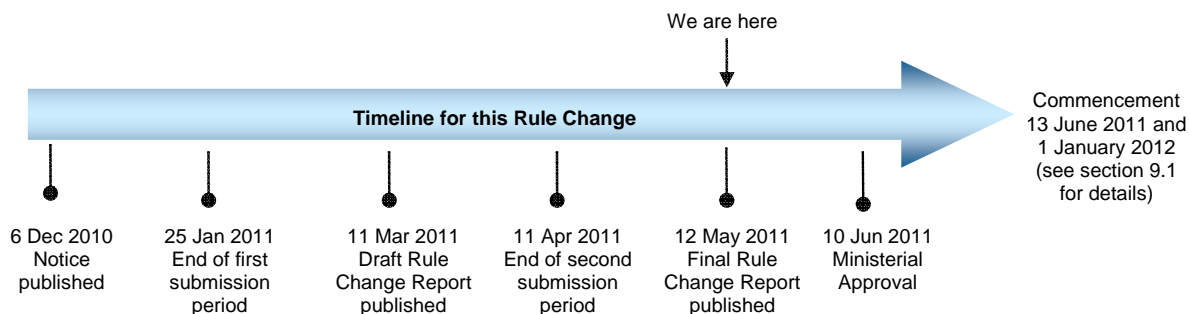
1. INTRODUCTION

On 6 December 2010, the IMO submitted a Rule Change Proposal regarding amendments to clauses 4.1.8, 4.1.9, 4.1.10, 4.1.11, 4.1.12, 4.1.13, 4.1.14, 4.1.16, 4.1.17, 4.1.18, 4.1.20, 4.1.21, (new) 4.1.21A, 4.2.7, 4.4.1, 4.9.3, 4.9.5, 4.9.9, (new) 4.9.9A, 4.10.1, 4.10.2, 4.10.3, (new) 4.10.4, 4.11.1, 4.11.2, 4.11.3A, 4.11.5, (new) 4.11.10, 4.15.1, 4.20.1, (new) 4.20.5A, 4.27.10, 4.27.11A, 4.28C.1, 4.28C.2, 10.5.1 and the Glossary of the Wholesale Electricity Market Rules (Market Rules). Furthermore, the IMO noted that changes to clauses 4.13.10, 4.13.13 and 4.26.1 will also come into effect if the Rule Change Proposal: Required Level and Reserve Capacity Security (RC_2010_12) and this Rule Change Proposal are accepted.

The 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:



In accordance with clause 2.5.10 of the Market Rules the IMO decided to extend both the end date for the first submission period and the period for preparing the Draft Rule Change Report. Further details of the extensions are available on the IMO website. The key dates in processing this Rule Change Proposal, as amended in the extension notices, are:



The IMO's final decision is to accept the Rule Change Proposal in a modified form. The detailed reasons for the IMO's decision are set out in section 7 of this report.

In making its final decision on the Rule Change Proposal, the IMO has taken into account:

- the Wholesale Market Objectives;
- the practicality and cost of implementing the proposal;
- the views of the Market Advisory Committee (MAC); and

- the submissions received.

All documents related to this Rule Change Proposal can be found on the IMO website:
http://www.imowa.com.au/RC_2010_14.

2. THE RULE CHANGE PROPOSAL

2.1 Submission Details

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Date submitted:	6 December 2010
Urgency:	Standard Rule Change Process
Change Proposal title:	Certification of Reserve Capacity
Market Rules affected:	4.1.8, 4.1.9, 4.1.10, 4.1.11, 4.1.12, 4.1.13, 4.1.14, 4.1.16, 4.1.17, 4.1.18, 4.1.20, 4.1.21, (new) 4.1.21A, 4.2.7, 4.4.1, 4.9.3, 4.9.5, 4.9.9, (new) 4.9.9A, 4.10.1, 4.10.2, 4.10.3, (new) 4.10.4, 4.11.1, 4.11.2, 4.11.3A, 4.11.5, (new) 4.11.10, 4.15.1, 4.20.1, 4.20.5A, 4.27.10, 4.27.11A, 4.28C.1, 4.28C.2, 10.5.1 and the Glossary. Changes to 4.13.10, 4.13.13 and 4.26.1 will come into effect if RC_2010_12 and this Rule Change Proposal are both accepted.

2.2 Summary Details of the Proposal

The IMO proposed a number of amendments to the Market Rules to address issues around the Certification of Reserve Capacity, including:

- Improving the Reserve Capacity Mechanism (RCM) timeline (Issue 1);
- Making an explicit statement of the requirement for a compliant application form to be submitted for Certified Reserve Capacity (CRC) (Issue 2);
- Providing greater clarity regarding the required availability for Non-Scheduled Generators, peaking plants and dual fuel Facilities (Issue 3);
- Aligning the terminology of the Market Rules with the terminology used by Western Power regarding transmission access requirements (Issue 4);
- Widening the requirement for the provision of environmental and transmission access approvals (Issue 5);
- Providing greater clarity regarding Intermittent and other Non-Scheduled Generators (Issue 6);
- Widening the definition of network constraints to be considered by the IMO when assigning Capacity Credits to a Facility with a Network Control Services Contract (Issue 7);
- Correcting erroneous references to Registered Facilities in clause 4.28C of the Market Rules (Issue 8);
- Removing the requirement for the IMO to provide each Market Participant with the calculations on which its determination of CRC are based, except when requested by the Market Participant (Issue 9);

- Requiring the IMO to publish the quantity of CRC assigned to each Facility at the same time that each Market Participant is notified of its CRC (Issue 10);
- Requiring Market Participants to provide the IMO with details of changes to the information about the Facility provided in applications for CRC (Issue 10); and
- Preventing unnecessary, repeated rejections by the IMO of progress reports from Market Participants (Issue 11).

The full details of the Rule Change Proposal are available in Appendix 1 of this report.

2.3 The Proposal and the Wholesale Market Objectives

In its proposal, the IMO considered that the amendments regarding each of the identified issues would have the following impacts on the Market Objectives:

#	Issue	Wholesale Market Objective Assessment
1	RCM Timelines	Consistent with (a), (b), (c), (d) and (e)
2	Requirement for compliant application to be submitted for Certified Reserve Capacity	Betters (a)
3	Clarification of Required Availability	Betters (a) and (c)
4	Transmission Access Requirements	Consistent with (a), (b), (c), (d) and (e)
5	Widen requirement for provision of environmental and transmission access approvals	Betters (a)
6	Clarification around Intermittent and other Non-Scheduled Generators	Betters (a)
7	Transmission or other network constraints	Betters (a)
8	Erroneous references to "Registered Facilities"	Consistent with (a), (b), (c), (d) and (e)
9	Provision of calculations on which the IMO's assessment is based	Betters (a)
10	Publication of Certified Reserve Capacity	Betters (b)
11	Changes to Facility design after Capacity Credits awarded or Maintenance of data provided for Certification of Reserve Capacity	Betters (a)
12	Repeated rejection of progress reports by the IMO	Betters (a)

Further details of the IMO's assessment of each of the solutions to the identified issues against the Wholesale Market Objectives are provided in the Rule Change Notice, available on the IMO's website.

2.4 The Amending Rules Proposed by the IMO

The amendments to the Market Rules proposed by the IMO in its Rule Change Proposal are presented in Appendix 2 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.

3. FIRST SUBMISSION PERIOD

The first submission period for this Rule Change Proposal was between 7 December 2010 and 25 January 2011. The timeframe for the first submission period was extended in accordance with the IMO's extension notice published on 6 December 2010.

3.1 Submissions received

The IMO received submissions from Alinta, Landfill Gas & Power (LGP), Perth Energy and Synergy during the first submission period as well as an additional out of session submission from Perth Energy. The IMO's response to each of the issues identified during the first submission period is provided in Appendix 3 to this report. A copy of the full text of all submissions is available on the IMO website.

In summary, LGP, Perth Energy and Synergy all supported the proposed amendments, albeit noting some issues for further consideration by the IMO. Specifically:

- Perth Energy welcomed the proposed increased flexibility in the RCM timeline; and
- LGP noted that the proposal incrementally improves and clarifies the certification process.

Alinta did not support the proposed amendments, stating a key concern that the proposal would allow the IMO to assign a lower (non zero) level of CRC after it has notified a Market Participant of the CRC to be assigned under clause 4.1.12 (as amended). Alinta also noted a number of other concerns with the detail of the proposal.

The assessment by submitting parties as to whether the proposal would better the Wholesale Market Objectives is summarised below:

Submitter	Wholesale Market Objective
Alinta	Likely to be inconsistent with (a), (b) and (c)
LGP	Agrees with the IMO's assessments for each issue
Perth Energy	Betters (a) and (b)
Synergy	Betters (a), (b), (c) and (d).

3.2 The IMO's response to submissions received during the first submission period

The IMO's response to each of the issues identified during the first submission period is presented in Appendix 3 of this report.

3.3 Public Forums and Workshops

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

3.4 Additional Amendments to the Amending Rules

In preparing the Draft Rule Change Report the IMO made some additional changes to the proposed Amending Rules to:

- remove the release of the Reserve Capacity Information Pack step, retaining just the publication of the Reserve Capacity Information Pack step (clauses 4.1.9, 4.1.10 and 4.7.1);
- Include a minor and typographical amendment to clause 4.1.17;

- revoke the proposed amendment to clause 4.9.3(c), and instead propose a new clause 4.11.11. The new clause 4.11.11 will require a Market Participant to pay a fee to the IMO where the IMO reassesses the assignment of Certified Reserve Capacity to the Facility under the new proposed clause 4.11.10 based on information provided to the IMO under the new proposed clause 4.10.4. As a result, consequential amendments have been made to clauses 2.24.1 and 2.24.2 and a new defined term “Reassessment Fee” has been added to the glossary;
- Removed new clause 4.9.9A (publication of Certified Reserve Capacity by facility) due to the potential that access to such information could lead to a Market Participant attempting to force a Reserve Capacity Auction. The subsequent amendments to clause 10.5.1 have also been removed;
- update clause 4.10.4 to refer to Facilities that have yet to commence operation and Facilities that are undergoing significant maintenance rather than all Facilities;
- amend clause 4.11.1(a) to clarify that this applies to Scheduled Generator, not a Facility and remove the words “and be able to be dispatched by System Management”;
- include greater clarity on why the IMO would reject an expert report (clause 4.11.3A(c));
- clarify the progress report process by:
 - amending clauses 4.27.10 through to 4.27.11D to:
 - Remove the approval process in years 1 and 2 of the Reserve Capacity Cycle; and
 - Clarify the approval process in year 3 of the Reserve Capacity Cycle.
 - add the term “Key Project Dates” to the glossary; and
 - amend clauses 4.10.1(c) and 4.1.26 (as a result of the changes to 4.27.10 through to 4.27.11D); and
- Update clause 4.29.1(c) to include a reference to clause 4.20.5A.

These additional amendments made by the IMO are presented in Appendix 4 of this report.

4. THE IMO’S DRAFT ASSESSMENT

The IMO’s draft assessment against the proposed amendments can be viewed in the Draft Rule Change Report (available on the IMO’s website).

5. THE IMO’S DRAFT DECISION

The IMO’s draft decision was to accept the Rule Change Proposal as modified by the amendments outlined in section 3.4 and specified in Appendix 4 of this report.

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

- are consistent with the Wholesale Market Objectives;
- have the general support of the MAC;
- have the support of the majority submissions received during the first submission period; and
- impose no additional cost on the market.

6. SECOND SUBMISSION PERIOD

Following the publication of the Draft Rule Change Report on the IMO website, the second submission period was between 11 March 2011 and 11 April 2011.

6.1 Submissions received

The IMO received submissions from Alinta, ERM Power, LGP and Synergy during the second submission period. The main issues raised in the submissions are summarised along with the IMO's response in section 6.2 of this report. A copy of the full text of all submissions is available on the IMO website. In summary:

- Alinta does not support the proposed change to clause 4.11.10, which would allow the IMO to assign a lower (non zero) level of CRC to a Market Participant. Alinta also notes a number of other concerns with the detail of the proposal. A summary of these issues and the IMO's response to each issue is contained in section 6.2 of this report.
- ERM Power does not support the proposed changes to clauses 4.1.11 (amending the CRC application lodgement date) or 4.11.1(a) (clarification of required availability). ERM Power also questioned the IMO proposal to review Environmental Approvals as part of the annual certification process rather than a once off for Facilities yet to enter service, noting that it considered that this issue needs further clarification and consideration by the IMO.
- LGP supports the proposed amendments, noting that while the changes are extensive and there is some residual contention in respect of several aspects, the proposals are generally well supported and impose no new costs on the market.
- Synergy supports Rule Change Proposal RC_2010_14, albeit with a suggestion to publish the CRC assigned to each Facility after bilateral trade declarations have been made as per clause 4.14.1 which would ensure benefits to the market whilst preventing any gaming.

The assessment by submitting parties as to whether the proposal would better the Wholesale Market Objectives is summarised below:

Submitter	Wholesale Market Objective Assessment
Alinta	Amendments to clauses 4.11.10 and 4.11.1(a) (Issues 3 and 11) are likely to be inconsistent with (a), (b) (c) and (d). Specific details of Alinta's concerns and the IMO's response to each are contained in section 6.2 of this report.
ERM Power	The proposed amendment to the fuel requirement in clause 4.11.1(a) (Issue 3) will not achieve the economically efficient component of Market Objective (a).
LGP	Not specifically stated.
Synergy	Betters (a), (b), (c) and (d).

6.2 The IMO's response to submissions received during the second submission period

The IMO's response to the issues raised in submissions is contained in the following table.

Section/Rule	Submitter	Comment / Change Requested	IMO Response
4.11.1(a)	Alinta	<p>Alinta is concerned that the amended clause remains onerous and would impose unnecessary additional costs for Market Participants with distillate-fuelled peaking Facilities.</p> <p>This is because it is unlikely that there would be a material difference in the physical infrastructure and supply arrangements that are necessary, and hence costs that would be incurred, in ensuring a Facility had sufficient fuel to support operation for:</p> <ul style="list-style-type: none"> • 14 hours a day, seven days a week for ten months of the year (as originally proposed); or • 14 hours a day, for business days for ten months of the year (as now proposed). <p>In its submission, Alinta gives examples of the potential costs that could be associated with the fuel storage requirements.</p> <p>Additionally, Alinta notes that it is unclear whether a Market Participant would be able to purchase sufficient volumes of distillate from the sole refinery in Western Australia to meet continuous operation on distillate (i.e. 14 hours a day, for business days for ten months of the year).</p> <p>Alinta considers it likely that for these reasons the Market Rules currently provide the IMO with discretion to determine what periods constitute “daily peak periods”, rather than formulaically prescribing the duration of time for which a Facility must be able to supply energy.</p>	<p>The IMO notes that the clarification amendment to clause 4.11.1(a) (replacing “at daily peak demand times” with “for Peak Trading Intervals”) is consistent with the status quo, i.e. when taking the Market Rules and the CRC Market Procedure together. The relevant extract from the CRC Market Procedure is outlined below [emphasis added]:</p> <ul style="list-style-type: none"> • <i>Step 1.11.15: Based on the outcome of steps 1.11.12 to 1.11.13, and the assessment of potentially limiting factors, the IMO must determine its reasonable expectation of the amount of Reserve Capacity likely to be available from the Facility during daily peak demand times from 1 October in Year 3 to 31 July in Year 4 of the Reserve Capacity Cycle, assuming an ambient temperature of 41°C. [MR 4.11.1(a)]</i> • <i>Step 1.11.16: For the purposes of step 1.11.15 ‘daily peak demand times’ are taken to have the same meaning as Peak Trading Intervals as defined in the Market Rules.</i> <p>Rather, the IMO considers that the Market Rules provide the IMO with discretion through “<u>its reasonable expectation of the amount of Reserve Capacity likely to be available</u>”. This portion of clause 4.11.1(a) of the Market Rules is not being amended.</p> <p>In addition the IMO considers that, as it is unlikely that peaking plants will be required to operate at 14 hours each day for 10 months of the year, it would be reasonable to clarify the availability requirement to refer to Peak Trading Intervals on Business Days, particularly given that system demand is typically lower on weekends and public holidays.</p> <p>The IMO considers that this is less onerous than the status quo, however any additional amendment is outside the scope of this Rule Change Proposal.</p> <p>Note, the IMO is awaiting the outcomes of the Office of Energy (OoE) fuel security review, following the Gas Supply Emergency Management Committee process.</p>

Section/Rule	Submitter	Comment / Change Requested	IMO Response
4.11.1(a) and the Wholesale Market Objectives	Alinta	Alinta considers that the amendment to clause 4.11.1(a) is likely to be inconsistent with Wholesale Market Objective (a), (b), (c) and (d) because the proposed amended clause 4.11.1(a) would be likely to increase the long-term cost of electricity supplied to customers from peaking Facilities in the South West interconnected system.	<p>The IMO does not agree with Alinta that the amendment to clause 4.11.1(a) (replacing “at daily peak demand times” with “for Peak Trading Intervals on Business Days”) will increase the long-term cost of electricity supplied to customers from peaking Facilities in the South West interconnected system. This is because the amendment is relaxing the fuel requirements from the status quo. Therefore, the IMO considers that the proposal is consistent with Market Objective (d).</p> <p>The IMO considers that the amendment is consistent with the remaining Wholesale Market Objectives.</p>
4.11.10	Alinta	<p>Alinta does not support the Market Rules being amended by RC_2010_14 to include new clause 4.11.10 as proposed by the IMO in its draft Rule Change Report.</p> <p>The proposed new clause would allow the IMO to assign a lower (non zero) level of CRC to a Market Participant.</p>	<p>The IMO notes that the primary role of the RCM is to ensure that there is adequate generation and Demand Side management capacity available to meet system peak demand plus a reserve margin.</p> <p>The IMO considers that allowing it to assign a lower (non zero) level of CRC to a Market Participant when new information comes to light (that would have originally led the IMO to assigning lower levels of CRC) is a better outcome than waiting until the Capacity Credits are reduced following Reserve Capacity tests, and provide a stronger basis for the IMO to address any potential capacity shortfall in a timely and efficient manner.</p> <p>In assessing the proposed amendment to allow it to assign a lower level of CRC after it has notified a Market Participant of the CRC to be assigned under clause 4.1.12, the IMO has balanced the pros and cons of ascertaining the “true” level of capacity available in the market (in a timely manner) versus the underlying premise of the RCM being a firm mechanism.</p> <p>On balance, the IMO considers that the ability to assign Capacity Credits based on the most up to date and correct information, reflecting the actual capabilities of Facilities will enhance the certainty regarding the amount of Reserve Capacity available in the SWIS and retain the link to the physical basis of Capacity Credits.</p>

Section/Rule	Submitter	Comment / Change Requested	IMO Response
			<p>The IMO notes that risks associated with non delivery of Capacity Credits assigned at the time of bilateral trade declarations or the Reserve Capacity Auction, such as the loss of Reserve Capacity Security, will still be borne by the project developer.</p>
4.11.10 and MAC discussion	Alinta	<p>While PRC_2010_14 discussed by the MAC in October 2010 did include the proposed new clause 4.11.10, Alinta notes that there was no explicit reference or discussion in the concept paper itself to the proposal for the IMO to be able to assign a lower (non zero) level of CRC to a Market Participant.</p> <p>As this aspect of PRC_2010_14 was not explicitly drawn to the MAC's attention, Alinta considers it cannot be suggested this aspect of the amending rules had "the general support of the MAC".</p>	<p>The IMO notes that the discussion in PRC_2010_14 around the proposed new clause 4.11.10 noted that the IMO would:</p> <p style="padding-left: 40px;"><i>“review the changes and determine whether it would need to reassess the Facility to determine whether it still meets the requirements of CRC (new clause 4.11.10).”</i></p> <p>This discussion referred to the new clause 4.11.10 which specifically stated [emphasis added]:</p> <p style="padding-left: 40px;"><i>“Upon the receipt of a submission provided in accordance with clause 4.10.4 for a Facility that has already been assigned Capacity Credits for the relevant Capacity Year, the IMO must review the information provided and decide whether it is necessary for the IMO to reassess the assignment of Certified Reserve Capacity to the Facility. <u>If this information would have resulted in the IMO assigning a lower, non-zero level of Certified Reserve Capacity the IMO must reduce the Capacity Credits assigned to that Facility accordingly and must advise the Market Participant within 90 days of receiving the submission.</u>”</i></p> <p>The IMO considers that the explanation of the proposed change and the proposed Amending Rules, when read together, provided sufficient information to the MAC regarding its intent for the amendment to clause 4.10.4 and the proposed new clause 4.11.10.</p> <p>The IMO notes that the minutes from the 13 October 2010 MAC meeting (which were endorsed as a as a true and accurate record at the 10 November 2010 MAC meeting) noted that:</p>

Section/Rule	Submitter	Comment / Change Requested	IMO Response
			<p><i>"The MAC accepted the principles being proposed by PRC_2010_14, subject to the agreed amendments to the drafting."</i></p> <p>However, in saying this, the IMO notes Alinta's comments and has taken these into account in its final decision (presented in section 8).</p>
4.11.10 and transfer of risk	Alinta	As noted in its previous submission, Alinta states that the effect of the proposed new clause 4.11.10 would be to transfer commercial, technical, construction and commissioning risk from developers proposing new Facilities to Market Customers generally.	<p>The IMO considers that there is no transference of risk in case of merchant plant, as:</p> <ul style="list-style-type: none"> • Market Customers pay less capacity payment (either through a reduction of the Shared Reserve Capacity Cost (clause 4.28.4 (a)) or the Targeted Reserve Capacity Cost (clause 4.28.11A)); • No refunds are paid to Market Customers for non-delivered capacity; and • The Reserve Capacity Security is forfeited and either used to fund Supplementary Reserve Capacity (SRC) or returned to Market Customers. <p>The IMO acknowledges that a Market Customer who has bilaterally contracted for the undelivered capacity may be exposed to increased capacity pricing risk for a short period of time (up to when the Facility has been tested) in having to purchase capacity through the IMO to replace the undelivered capacity.</p> <p>However, the IMO expects that a commercially negotiated bilateral contract would protect the Market Customer from such exposure.</p>
4.11.10	Alinta	If a project developer fails to deliver the quantum of Capacity Credits notified to the IMO and accepted by it under clause 4.20, it may forfeit its Reserve Capacity Security. However, the proposed new clause 4.11.10 would enable Market Participants to come to a commercial decision on whether it is more attractive to deliver the amount of Capacity Credits notified to the IMO	<p>The IMO notes that if a facility does not reach 90% of the required output level on any day during the Capacity Year then the IMO will draw down on the entire amount of Reserve Capacity Security. This is unchanged as a result of this Rule Change Proposal.</p> <p>In addition, the IMO considers that a Market Participant currently has the ability to make the commercial decision described by Alinta. The IMO</p>

Section/Rule	Submitter	Comment / Change Requested	IMO Response
		and accepted by it under clause 4.20, or whether to deliver some other amount of capacity taking into account the potential forfeiture of Reserve Capacity Security.	considers that this is unchanged by this Rule Change Proposal.
4.11.10 and SRC	Alinta	<p>To the extent that failure by a Market Participant to deliver the quantum of Capacity Credits notified to the IMO and accepted by it under clause 4.20 results in the aggregate quantum of Capacity Credits falling below the Reserve Capacity Requirement, the responsible Market Participant is not currently exposed to the potential costs of SRC.</p> <p>This is because any net payments that might be made by the IMO for Supplementary Capacity Contracts come out of the Shared Reserve Capacity Cost, which would be shared amongst Market Customers.</p> <p>The IMO rejected RC_2008_34, which was to amend the Market Rules to specifically target the cost of Supplementary Capacity Contracts at individual Market Participants where those participants were directly responsible for the requirement to procure SRC.</p> <p>While advising the IMO to not proceed with RC_2008_34, its consultant also recommended the issue be referred back to the SRC Working Group to consider the issues more broadly, with a focus on:</p> <ul style="list-style-type: none"> • The expected incidence of calling for SRC; • The level of reserve margin for which SRC should be requested; • The defining events that determine the distribution of SRC costs; 	<p>The IMO notes Alinta's comments that, to the extent that failure by a Market Participant to deliver the quantum of Capacity Credits assigned to it results in the aggregate quantum of Capacity Credits falling below the Reserve Capacity Requirement, the responsible Market Participant is not currently exposed to the potential costs of SRC.</p> <p>The IMO considers that the amendment to clause 4.11.10 will aid its determination of the requirement for SRC. However, the IMO considers that the method for funding SRC is a much broader issue and is out of scope for this Rule Change Proposal.</p> <p>Therefore the IMO maintains that allowing it to assign a lower (non zero) level of CRC to a Market Participant when new information comes to light (that would have originally led the IMO to assigning lower levels of CRC) is a better outcome than waiting until the Capacity Credits are reduced following Reserve Capacity tests, and will provide a stronger basis for the IMO to address any potential capacity shortfall in a timely and efficient manner. As such, the IMO considers that it is appropriate to continue with this amendment prior to the completion of any analysis on the funding of SRC.</p>

Section/Rule	Submitter	Comment / Change Requested	IMO Response
		<ul style="list-style-type: none"> • The level of performance that the RCM is intended to deliver in terms of risk management for customers and for which generators are responsible; • The economic distribution of SRC costs among Market Generators and Market Customers; • The extent to which Capacity Cost Refunds should first fund SRC before imposing any specific SRC costs on specific participants; and • An assessment process that determines the SRC cost/volume that maximises economic efficiency based on prevailing market conditions. <p>Alinta considers it would not be appropriate to proceed with amending the Market Rules to include the new clause 4.11.10 as proposed until the issues identified above have been considered.</p>	
4.11.10 and assessment of potential shortfalls	Alinta	<p>In its Draft Rule Change report, the IMO appears to indicate that although:</p> <ul style="list-style-type: none"> • it might be known ahead of a Facility making capacity available to the market that it could not deliver the amount of capacity (up to the amount of CRC) nominated by the project proponent (e.g. replacement of a diesel generator with a wind farm); and • that such a shortfall might cause Reserve Capacity to fall below the Reserve Capacity Requirement; then • it would not be able to act on this information; unless • it reduced the amount of CRC to the level that could be delivered by the Facility. 	<p>The IMO agrees that clause 4.24.1 appears to provide discretion to the IMO in acquiring supplementary capacity where it is of the opinion that inadequate Reserve Capacity will be available and that it does not restrict the IMO to seek supplementary capacity only in instances where the actual quantum of CRC (or Capacity Credits) is below the Reserve Capacity Requirement.</p> <p>However, the IMO considers that it would be in the best interests of the market to also be aware of any potential shortfalls of capacity at the same time that the IMO becomes aware of it. By not making these amendments the IMO considers that the market will not be aware of the amount of true capacity available to it (until the Facility testing process). Therefore, the IMO considers that the increased transparency associated with the ability to assign Capacity Credits based on the most up to date and correct information reflecting the actual capabilities of Facilities will provide better market outcomes.</p>

Section/Rule	Submitter	Comment / Change Requested	IMO Response
		<p>However, clause 4.24.1 of the Market Rules states that if, at any time after the day which is six months before the Capacity Year the IMO considers that, in its opinion, inadequate Reserve Capacity will be available in the SWIS to satisfy the requirements described in clauses 4.5.9 (a) and (b), and Reserve Capacity Auction intended to secure Capacity Credits for that time has already occurred or been cancelled, then it must:</p> <ul style="list-style-type: none"> • determine the expected start and end dates for the period of the shortfall; • determine the expected amount of the shortfall; and • seek to acquire supplementary capacity in accordance with clause 4.24.2. <p>Clause 4.24.1 would appear to provide significant discretion to the IMO in acquiring supplementary capacity where it is of the opinion that inadequate Reserve Capacity will be available. That is, the IMO's ability to seek to acquire supplementary capacity under clause 4.24.1 is not restricted only to instances where the actual quantum of CRC (or Capacity Credits) is below the Reserve Capacity Requirement.</p> <p>Consequently, it appear inaccurate to suggest that the current Market Rules might preclude the IMO from addressing a potential capacity shortfall in a timely and efficient manner where the potential shortfall becomes known to the IMO ahead of a Facility making capacity available to the market.</p>	
4.11.10 and the	Alinta	Alinta considers that the amendment to clause 4.11.10 is likely to be inconsistent with Market Objective (a), (b) and	The IMO considers that the amendment to clause 4.11.10 improves Market Objective (a). In obtaining advice on any subsequent changes to a

Section/Rule	Submitter	Comment / Change Requested	IMO Response
Wholesale Market Objectives		(c) because the proposed new clause would transfer commercial, technical, construction and commissioning risk from developers proposing new Facilities to Market Customers generally.	<p>Facility the IMO will be able to adjust Capacity Credits based on the most up to date and correct information. Reflecting the actual capabilities of Facilities will enhance the certainty regarding the amount of Reserve Capacity available in the SWIS. This will enable the IMO to address any potential shortfall issues in a timely manner and thus allow the market objectives to better address Market Objective (a). By not making these amendments the IMO considers that the market will not be aware of the amount of true capacity available to it (until the Facility testing process).</p> <p>The IMO considers that the proposal is consistent with Wholesale Market Objectives (b) and (c).</p> <p>The IMO considers that there is no transference of risk in case of merchant plant, as:</p> <ul style="list-style-type: none"> • Market Customers pay less capacity payment (either through a reduction of the Shared Reserve Capacity Cost (clause 4.28.4 (a)) or the Targeted Reserve Capacity Cost (clause 4.28.11A)); • No refunds are paid to Market Customers for non-delivered capacity; and • The Reserve Capacity Security is forfeited and either used to fund Supplementary Reserve Capacity or returned to Market Customers. <p>The IMO acknowledges that a Market Customer who has bilaterally contracted for the undelivered capacity may be exposed to increased capacity pricing risk for a short period of time (up to when the Facility has been tested) in having to purchase capacity through the IMO to replace the undelivered capacity.</p> <p>However, the IMO expects that a commercially negotiated bilateral contract would protect the Market Customer from such exposure.</p>
4.11.10 and the	Alinta	Alinta considers that the amendment to clause 4.11.10 is likely to be inconsistent with Market Objective (b) and (c)	The IMO notes that the amendments proposed by RC_2010_14 are consistent with the concept of Reserve Capacity Refunds being a “zero

Section/Rule	Submitter	Comment / Change Requested	IMO Response
Wholesale Market Objectives		because the proposed new clause 4.11.10 would be likely to provide an advantage to future new Intermittent Facilities.	<p>sum game". The IMO contends that the proposed changes would minimise the distortion that currently exists where a Market Participant is required to pay refunds on a partially built Scheduled Generator before it has its Capacity Credits reduced due to Reserve Capacity Testing (normally at the end of Hot Season).</p> <p>This "refund before reduction" practice, which currently exists, exposes partially built generators to pay more in refunds for the undelivered capacity than they are paid. Consider the case of a Scheduled Generator that fails its Reserve Capacity tests and has its Capacity Credits reduced at the end of the Hot Season. The Facility would be liable for refunds equivalent to approximately 100% of payments associated with the undeveloped (or de-rated) portion while only being paid for approximately 50% (this being the time from 1 October to the end of the Hot Season when Capacity Credits are reduced through Reserve Capacity testing). However, noting this, the financial outcomes could be vary depending on when the IMO chooses to test a Facility given that the IMO may call for a test at any time between 1 October and 31 March.</p> <p>The IMO considers that the proposed changes fix the anomalous refund outcomes which occur when a Facility is most likely destined to fail a Reserve Capacity test during, or at the very latest by the end of, the Hot Season.</p> <p>The IMO considers that a partially built Intermittent Generator is disadvantaged by the current Market Rules as it is required to pay Reserve Capacity refunds against 100% of its Capacity Credits, irrespective of the level of the capacity shortfall. Rule Change Proposal RC_2010_12 seeks to align the refunds for Intermittent Generators with the level of capacity delivered to the market, consistent with the treatment of Scheduled Generators.</p> <p>The IMO notes that Intermittent Generators are not subject to Reserve Capacity tests. Consequently, the Capacity Credits for an Intermittent</p>

Section/Rule	Submitter	Comment / Change Requested	IMO Response
			<p>Generator would not be reduced following failed tests, as would occur for a Scheduled Generator. For an Intermittent Generator, this would exaggerate the anomalous refund outcome described above, where the level of refund paid is greater than the capacity payment corresponding to the undelivered capacity, beyond that that would apply for Scheduled Generators.</p> <p>Therefore, the IMO considers that the proposed amendments improve the consistency of treatment of Scheduled Generators and Intermittent Generators.</p>
Clause 4.1.11	ERM Power	<p>The IMO proposes to bring forward a number of deadlines, in particular moving the application lodgement date from 20 July to 1 July. Given the short duration between provisional commencement date (13 June 2011) of the Rule Change Proposal and the proposed 1 July deadline for applications, the Rule Change Proposal is unable to be implemented. ERM requests that the amendment to clause 4.1.11 apply to the 2012 Reserve Capacity Cycle.</p>	<p>The IMO notes ERM's concerns and has decided to delay the commencement date for clause 4.1.11 to apply to the 2010 Reserve Capacity Cycle. It should be noted that the amendments to all other dates in the RCM timeline will commence 13 June 2011 and apply for the 2011 Reserve Capacity Cycle.</p> <p>For more information see the commencement table outlined in section 9.1 of this report.</p>
4.11.1(a)	ERM Power	<p>ERM notes that the IMO has presented that the purpose of the Rule Change Proposal is to relax the current Market Procedure from 14 hours per day every day to 14 hours per day on business days only. In the interests of ensuring that new entrant peaking generation can be introduced by IPPs in Western Australia, ERM has maintained a position that it disagreed with the IMO's interpretation of the Market Rules, as set out in the Market Procedure, for the following two key reasons:</p> <ul style="list-style-type: none"> Gas supply arrangements are typically 90-100% Take or Pay and as such low capacity factor plant will be required to contract and pay for far more gas than used. ERM appointed ACIL Tasman to conduct a review of the proposed change to Market Rule 	<p>The IMO notes ERM's concerns regarding the inflexibility of gas contracting arrangements and the relationship with Certification of Reserve Capacity. The IMO notes that the RCM review is considering this issue more broadly as part of the consideration of the appropriateness of the current Availability Classes in the Market Rules.</p> <p>The IMO also notes that the MAC, at the 12 April 2010 meeting, considered the MMA review and a suggestion to relax the 14 hour per day consideration to 12 hours. The MAC did not support a relaxation to 12 hours at that time.</p> <p>The IMO disagrees with ERM's view that the original designers of the Market Rules intended for the IMO to exercise absolute discretion when considering the fuel supplies during the Certification of Reserve Capacity. Such a proposition would result in the IMO being required to "sculpt" the fuel supplies of various facilities to fit a forecasted load duration curve.</p>

Section/Rule	Submitter	Comment / Change Requested	IMO Response
		<p>4.11.1(a) and determine the impact on the market. ACIL Tasman's report (available in ERM's submission) concludes that such a requirement would, conservatively as a best case, result in more than 220TJ/day or 55PJ/annum in fuel being contracted firm but not used; and</p> <ul style="list-style-type: none"> ERM maintains that the original designers of the Market Rules did not use the defined term Peak Trading Intervals that is otherwise used throughout the remainder of the Market Rules but rather relied on the administrators of the Market Rules to apply sensible assessments. <p>Accordingly ERM does not see the Rule Change Proposal as a relaxation but rather as a formalization of an onerous requirement on peaking generators that will preclude any further IPP investment in peaking generation in the WEM.</p> <p>With the IMO having commenced the RCM Review ERM recommends that the introduction of any rule change regarding Reserve Capacity Certification, which is a central part of the RCM, be deferred and rolled into the terms of reference for the RCM Review. In addition, ERM notes that the IMO engaged MMA to carry out an "Assessment of Fuel Capacity Requirements to Meet the System Reliability in the SWIS". As far as ERM is aware this body of work has not been concluded.</p> <p>Based on the above, ERM strongly opposes the amendments proposed to MR 4.11.1(a) and believes that the IMO has not carried out a thorough review of the issue.</p>	<p>This would be impractical and inequitable.</p> <p>The IMO also disagrees with ERM's view that the proposed amendment formalises the existing requirement as described in the Market Rules and Market Procedure. The IMO considers that the Market Procedure is no less formal than the Market Rules, and that its obligations to comply with the Market Rules and Market Procedure are equal.</p> <p>The IMO notes that it is required, under clause 4.11.1(a) to form its "reasonable expectation as to the amount of capacity likely to be available" from each Facility. The IMO has not proposed to amend this portion of clause 4.11.1(a). Thus, the IMO considers that the proposed amendment will not materially alter the way in which it assesses applications for Certified Reserve Capacity.</p>
4.10.1(bA)ii	ERM	It is unclear to ERM Power as to what Environmental	The IMO agrees with ERM's submission and has reverted to the status

Section/Rule	Submitter	Comment / Change Requested	IMO Response
	Power	<p>Approval information the IMO would like to see as part of every Facility's annual certification process. The current definition of Environment Approvals in the Market Rules refers specifically to construction approvals not operations.</p> <p>Prior to construction, a Ministerial Statement and Works Approval is required from the Department of Environment and Conservation (DEC). Once the Facility is constructed the Ministerial Statement does not have an expiry date. Prior to commercial operations an Environment (emissions) License is required from the DEC. This is renewed on an annual basis. However, this is only done for the following year (based on the anniversary of the license) and therefore the timing of the renewal does not fit in with the Reserve Capacity Cycle. Market Generators can submit to the DEC for a 3 year license approval but it would be unacceptable for the IMO to enforce that Market Generators now carry out this process.</p> <p>ERM's view is that the risk to the IMO is for construction only and hence the definition of Environment Approvals and the annual certification process should not be amended. This issue needs further clarification and consideration by the IMO.</p>	<p>quo, i.e. requiring applicants for CRC to provide evidence of environmental approvals just for Facilities that have yet to enter service rather than <u>all</u> Facilities as the IMO originally proposed.</p> <p>The additional amendments are presented in Appendix 5 of this report.</p>
4.1.12 and 4.9.9A	Synergy	<p>It is first submission Synergy noted that there may be risk that publication of the quantity of CRC assigned to each Facility (under the proposed new clause 4.9.9A) could encourage participants to force a Reserve Capacity Auction and potentially a higher Reserve Capacity Price if the level of CRC bilaterally traded fails to reach the Reserve Capacity Requirement. Nevertheless, Synergy supported this change as it brings greater transparency to the market which should improve the overall market</p>	<p>The IMO agrees with Synergy's submission, considering that Synergy's suggested implementation improves the information available to the market while avoiding the ability for a Market Participant to force a Reserve Capacity Auction and potentially a higher Reserve Capacity Price.</p> <p>The IMO has amended Synergy's suggested drafting to publish the level of Certified Reserve Capacity one Business Day after the deadline for submission of Bilateral Trade Declarations. The IMO has also moved the</p>

Section/Rule	Submitter	Comment / Change Requested	IMO Response
		<p>efficiency.</p> <p>Synergy notes that the IMO decided to remove new clause 4.9.9A from the proposed amendments, citing that, although there could be benefits in providing this additional information, there is also a clear potential for gaming, particularly by forcing a Reserve Capacity Auction which may not otherwise have taken place.</p> <p>However, Synergy notes publishing the CRC assigned to each Facility <i>after</i> bilateral trade declarations have been made as per clause 4.14.1 would ensure benefits to the market whilst preventing any gaming. Synergy therefore suggests the IMO retain new clause 4.9.9A but with reference to a further new clause 4.1.12A.</p> <p>(deleted text), <u>added text</u>)</p> <p>4.9.9A The IMO must publish, by the date and time specified in clause 4.1.12A, the level of CRC assigned to each Facility.</p> <p><u>4.1.12A The IMO must publish the Certified Reserve Capacity for each Facility by 5 PM of the last Business Day on, or before, x August of Year 1 of the Reserve Capacity Cycle but not before 5 August of Year 1 of the Reserve Capacity Cycle.</u></p>	<p>proposed new clause to 4.1.15A in order to preserve the chronological order in this section of the Market Rules.</p> <p>The additional amendments are presented in Appendix 5 of this report.</p>

6.3 Additional Amendments to the Amending Rules

Following the closure of the second consultation period, the IMO made additional changes to the proposed Amending Rules to:

- Update clause 4.10.1 to revert to the status quo, i.e. requiring applicants for CRC to provide evidence of environmental approvals just for Facilities that have yet to enter service rather than all Facilities as the IMO originally proposed; and
- Reinstate new clauses 4.9.9A and 10.5.1(f) (iiiA), and add new clause 4.1.15A to require the IMO to publish the Certified Reserve Capacity for each Facility on the first Business Day following the deadline for submission of the Bilateral Trade Declarations.

These additional amendments are presented in Appendix 5 of this report.

7. THE IMO'S FINAL ASSESSMENT

In preparing its 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. Clause 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 in respect of this Rule Change nor has it commissioned a technical review in respect of this Rule Change Proposal.

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

7.1 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

Wholesale Market Objective	Consistent with objective
(d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system	Yes
(e)	
(f) to encourage the taking of measures to manage the amount of electricity used and when it is used	Yes

Further, the IMO considers that the Market Rules if amended would not only be consistent with the Wholesale Market Objectives but also allow the Market Rules to better address Wholesale Market Objectives, particularly (a), (b) and (c). This is summarised for each issue addressed by the IMO:

#	Issue	Wholesale Market Objective Assessment
1	RCM Timelines	The Market Rules, which will contain an amendment to resolve this issue and provide a clear and transparent mechanism and increasing the operational efficiency of the IMO, will be consistent with Market Objectives (a), (b), (c), (d) and (e).
2	Requirement for compliant application to be submitted for CRC	Betters (a): The IMO considers that by ensuring certification of facilities is based on a correct and complete application, the capacity requirements of the SWIS will be assisted in being adequately met.
3	Clarification of Required Availability	<p>Betters (a): The IMO considers that clarifying that Non-Scheduled Generators, that are unable to increase output when instructed by System Management, can not be certified under the methodology described under clause 4.11.1(a) will promote the safe and reliable supply of electricity in the SWIS (Market Objective (a)). By ensuring that facilities are certified via the correct methodology, the availability of the Facility for the purposes of supplying capacity during peak periods will be correctly identified for the purposes of System Management.</p> <p>The IMO considers the proposed amendments to replace “at daily peak demand times” with “for Peak Trading Intervals on Business Days” and to clarify that a dual-fuelled facility must be able to operate for 12 hours at the requested level of CRC is consistent with the Market Objectives.</p>
4	Transmission Access Requirements	The Market Rules, which will contain an amendment to resolve this issue and improve the clarity of the Market Rules, will be consistent with Market Objectives (a), (b), (c), (d) and (e).
5	Widen requirement for provision of transmission access approvals	Betters (a): The IMO considers that consideration of up-to-date transmission access approvals in the certification process for existing facilities will help ensure the required level of reliable capacity available in the SWIS. Further by ensuring that any network constraints, for both new and existing facilities, are taken into account the safety and reliability of the SWIS will be promoted.
6	Clarification around Intermittent and other Non-Scheduled Generators	<p>Betters (a): The IMO considers that the ability to consider the validity of an expert report will ensure facilities are assigned CRC on the most appropriate basis. This will promote Power System Security and reliability by ensuring the capacity requirements for the SWIS are met through accurate capacity assignments.</p> <p>The IMO considers that the other proposed amendments are consistent with the Wholesale Market Objectives.</p>
7	Transmission or other network constraints	Betters (a): The IMO considers that by ensuring facilities with a Network Control Service contract are assigned capacity credits based on network constraints and not just transmission constraints will promote power system security and reliability.

#	Issue	Wholesale Market Objective Assessment
		Certification of capacity that is based on all known constraints will ensure that adequate capacity is secured for the SWIS.
8	Erroneous references to "Registered Facilities"	The Market Rules, which will contain an amendment to resolve this issue and improve the clarity of the Market Rules, will be consistent with Market Objectives (a), (b), (c), (d) and (e).
9	Provision of calculations on which the IMO's assessment is based	Betters (a): The IMO considers that by only requiring the IMO to provide information if requested by a Market Participant this will promote the allocative efficiency of IMO resources.
10	Publication of levels of CRC	Betters (b): The IMO considers that publishing information of Certified Reserve Capacity will promote greater transparency of the quantities assigned to each Facility. The IMO considers that this will promote greater competition in the SWIS (Market Objective (b)).
11	Changes to Facility design after Capacity Credits awarded or Maintenance of data provided for Certification of Reserve Capacity	Betters (a): The IMO considers that this clause improves Market Objective (a). In obtaining advice on any subsequent changes to a Facility the IMO will be able to assign Capacity Credits based on the most up to date and correct information. Reflecting the actual capabilities of Facilities will enhance the certainty regarding the amount of Reserve Capacity available in the SWIS. This will enable the IMO to address any potential shortfall issues in a timely manner.
12	Repeated rejection of progress reports by the IMO	Betters (a): The IMO considers that by not being required to repeatedly inform a Market Participant of the rejection of its progress reports if it is late, the allocative efficiency of IMO resources will be promoted.

7.2 Practicality and cost of implementation

Estimated impact on system cost:

The IMO notes that updates will be required to the Market Procedure for Certification of Reserve Capacity to include guidelines on the types of changes to a Facility that may warrant reassessment of its Capacity Credits. The IMO considers that these costs fall within the day to day operation of the IMO and therefore will not incur additional personnel costs.

It is envisaged that there will be an additional IT cost estimated to be \$7000 however, it is anticipated that the changes to the Reserve Capacity Mechanism timeline will result in annual savings in personnel costs that exceed the IT cost.

Practicality:

The IMO has not identified any issues with the practicality of implementing the proposed changes.

7.3 Views expressed in submissions

The IMO received four submissions during the first submission period, three of which supported the proposed amendments, albeit noting a number of issues for further consideration. Alinta did not support the proposal, noting a number of issues. The IMO's response to the issues raised in the first submission period is contained in Appendix 3 of this report.

The IMO received four submissions during the second submission period:

- Two submissions support the proposal. One of these includes a suggestion for improvement, which the IMO has accommodated; and
- Two submissions do not support specific aspects of the proposal. The amendment to clause 4.11.1(a) in relation to Issue 3 was not supported in either submission. Also, the amendment to clause 4.11.10 in relation to Issue 11 was not supported in one of the submissions.

The IMO's response to the issues raised in the second submission period is contained in section 6.2 of this report.

7.4 Views expressed by the Market Advisory Committee

The proposal was presented to the MAC at both the 8 September and 13 October 2010 meetings. A summary of the discussion of the MAC is presented below. Further details of the specific MAC discussion are available in Appendix 6 of this report.

September 2010 Meeting

The IMO presented its Pre Rule Change Discussion Paper, noting that the paper covered potential improvements identified during the recent certification process. The MAC discussed the following points:

- Quantum of Facilities requiring review, mix of Facility types making up the applications each year (i.e. new, existing and upgrades) and proportion of applications requiring significant review each year;
- Whether the IMO's proposal to increase the assessment of CRC applications to eight weeks was appropriate;
- The interaction of the Statement of Opportunities (SOO) process (including timing of publication) and applications process and what the appropriate window between publication of the SOO and the closure of the application window should be. It was agreed that the IMO would ask customers what value they get from the SOO and for their thoughts on the timing of its publication;
- The appropriate timeframe for Reserve Capacity to be traded bilaterally. The MAC agreed that 10 days was appropriate and for the IMO to amend the provision to this time.
- Terminology issues, including:
 - a. Whether the term "valid application" was appropriate;
 - b. Whether a defined term for "Peak Trading Intervals on Business Days" should be created in the Market Rules; and
 - c. The use of the term "Access Offer"; and
- The 14 hour per day availability requirement and incentivising dual fuel Facilities;

October 2010 Meeting

The IMO presented its Pre Rule Change Discussion Paper, noting that it has completed a consultation process with industry around the content and preferred timing of the SOO. Following this consultation the IMO proposed to bring the SOO publication deadline forward to 17 June.

The IMO also presented its analysis on the timing of provision of Reserve Capacity Security and use of the term "valid application".

The Pre Rule Change Discussion Paper included an updated proposed Reserve Capacity Cycle timeline.

Additionally, the MAC discussed the following points:

- The value of the SOO, the timing between the availability of the SOO and the timeframes for discussion with Western Power regarding network access;
- Whether details of new large loads should be included in the load forecasts;
- Whether the IMO should have the ability for the IMO to reject an expert report; and
- Specific amendments relating to clause 4.11.11(a).

The MAC accepted the principles proposed in the Pre Rule Change Discussion Paper subject to the agreed amendments to the drafting.

Further details of the specific MAC discussion are available in Appendix 6 of this report.

8. THE IMO'S FINAL DECISION

Based on the matters set out in this report, the IMO's final decision, in accordance with clause 2.7.8 (e), is to accept the Rule Change Proposal as modified by the amendments outlined in sections 3.4 and 6.3 and specified in Appendices 4 and 5 of this report.

8.1 *Reasons for the decision*

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

- are consistent with the Wholesale Market Objectives;
- have the support of the majority of submissions received during the first submission period; and
- impose no significant additional cost on the market.

Additional detail outlining the analysis behind the IMO's reasons is outlined in section 7 of this Final Rule Change Report.

9. AMENDING RULES

9.1 *Commencement*

The initial amendments to the Market Rules resulting from this Rule Change Proposal will commence at **8.00am** on **13 June 2011**.

The commencement order for the amended clauses is as follows:

Clause	Subject	Commencement Date
4.1.11	IMO ceasing to accept lodgement of applications for certification of Reserve Capacity	1 January 2012
All remaining proposed new and amended clauses.	N/a	13 June 2011

9.2 *Amending Rules*

The IMO proposes to implement the following amendments to the Market Rules (~~deleted text, added text~~):

- 2.24.1. The fees charged by the IMO are:
- (a) Market Fees, System Operation Fees and Regulator Fees determined in accordance with clause 2.24.2; ~~and~~
 - (b) Application Fees described in clauses 2.33.1(a), 2.33.2(a), 2.33.3(a), 2.33.4(a), 2.33.5(a), and 4.9.3(c) ~~and~~
 - (c) A Reassessment Fee described in clause 4.11.11.
- 2.24.2. Before 30 June each year, the IMO must determine and publish the level of the Market Fee rate, System Operation Fee rate and Regulator Fee rate, ~~and~~ the level of each of the Application Fees, and the level of the Reassessment Fee to apply over the year starting 1 July. Where:
- ...
- 4.1.8. The IMO must publish a Statement of Opportunities Report produced in accordance with the Long Term PASA process described in clause 4.5.11 by 5 PM of the first Business Day falling on or following 17 June ~~1 July~~ of Year 1 of the relevant Reserve Capacity Cycle.
- 4.1.9. ~~The IMO must release the Reserve Capacity Information Pack in accordance with clause 4.7.1 by 5 PM of the first Business Day falling on or following 1 July of Year 1 of the relevant Reserve Capacity Cycle. [BLANK]~~
- 4.1.10. The IMO must publish on the Market Web Site the Reserve Capacity Information Pack in accordance with clause 4.7.2 by 5 PM of the first Business Day falling on or following 17 June ~~15 July~~ of Year 1 of the relevant Reserve Capacity Cycle.
- 4.1.11. The IMO must cease to accept lodgement of applications for certification of Reserve Capacity for the Reserve Capacity Cycle in accordance with clause 4.9.1 from 5 PM of the last Business Day falling on or before:
- (a) 20 July of Year 1 of the Reserve Capacity Cycle for Reserve Capacity Cycles up to and including 2010; and
 - (b) 1 July of Year 1 for Reserve Capacity Cycles from 2011 onwards.
- 4.1.12. The IMO must notify each applicant for certification of Reserve Capacity of the Certified Reserve Capacity to be assigned by 5 PM of the last Business Day on, or before;:
- (a) 5 August of Year 1 of the Reserve Capacity Cycle for Reserve Capacity Cycles up to and including 2010; and
 - (b) 19 August of Year 1 for Reserve Capacity Cycles from 2011 onwards.

- 4.1.13. Each Market Participant must provide to the IMO any Reserve Capacity Security (~~in full~~) required in accordance with clause 4.13.1 not later than 5 PM of the last Business Day falling on or before:
- (a) ~~for Reserve Capacity Cycles up to and including 2010; 10 August of Year 1 of the relevant Reserve Capacity Cycle if any of the Facility's Certified Reserve Capacity is specified to be traded bilaterally in accordance with clause 4.14.1(c); or~~
 - (i) 10 August of Year 1 of the relevant Reserve Capacity Cycle if any of the Facility's Certified Reserve Capacity is specified to be traded bilaterally in accordance with clause 4.14.1(c); or
 - (ii) 29 August of Year 1 of the relevant Reserve Capacity Cycle if any of the Facility's Certified Reserve Capacity is specified to be offered into the Reserve Capacity Auction in accordance with clause 4.14.1(a) and where none of the Facility's Certified Reserve Capacity is specified to be traded bilaterally in accordance with clause 4.14.1(c).
 - (b) ~~for Reserve Capacity Cycles from 2011 onwards; 29 August of Year 1 of the relevant Reserve Capacity Cycle if any of the Facility's Certified Reserve Capacity is specified to be offered into the Reserve Capacity Auction in accordance with clause 4.14.1(a) and where none of the Facility's Certified Reserve Capacity is specified to be traded bilaterally in accordance with clause 4.14.1(c).~~
 - (i) 2 September of Year 1 of the relevant Reserve Capacity Cycle if any of the Facility's Certified Reserve Capacity is specified to be traded bilaterally in accordance with clause 4.14.1(c); or
 - (ii) 14 September of Year 1 of the relevant Reserve Capacity Cycle if any of the Facility's Certified Reserve Capacity is specified to be offered into the Reserve Capacity Auction in accordance with clause 4.14.1(a) and where none of the Facility's Certified Reserve Capacity is specified to be traded bilaterally in accordance with clause 4.14.1(c).
- 4.1.14. Each Market Participant holding Certified Reserve Capacity for the Reserve Capacity Cycle must provide to the IMO notification in accordance with clause 4.14.1 as to how much of its Certified Reserve Capacity will be traded bilaterally and how much will be offered to the IMO in the Reserve Capacity Auction held in Year 1 of the relevant Reserve Capacity Cycle not later than 5 PM of the last Business Day falling on or before:
- (a) 9 September 2005, in the case of the first Reserve Capacity Cycle; ~~and~~
 - (b) 10 August of Year 1, in the case of subsequent Reserve Capacity Cycles up to and including 2010; and
 - (c) 2 September of Year 1, in the case of Reserve Capacity Cycles from 2011 onwards.

4.1.15A. The IMO must publish the Certified Reserve Capacity for each Facility in accordance with clause 4.9.9A by 5 PM of the first Business Day following the confirmation deadline specified in clause 4.1.15.

4.1.16. The IMO must publish the information required by clauses 4.15.1 and 4.15.2 pertaining to whether or not a Reserve Capacity Auction is required by 5 PM of the last Business Day falling on or before:

- (a) 16 September 2005, in the case of the first Reserve Capacity Cycle; ~~and~~
- (b) 18 August of Year 1, in the case of subsequent Reserve Capacity Cycles up to and including 2010; and
- (c) the first Business Day following the confirmation deadline specified in clause 4.1.15, in the case of Reserve Capacity Cycles from 2011 onwards.

If the Reserve Capacity Auction is cancelled, the IMO will assign Capacity Credits on the same day in accordance with clause 4.20.5A(a).

4.1.17. If a Reserve Capacity Auction proceeds, then the IMO must accept submission of Reserve Capacity Offers from Market Participants in accordance with clause 4.17.2:

- (a) from 9 AM of the first Business Day falling on or following:
 - i. 20 September 2005 of Year 1, in the case of the first Reserve Capacity Cycle; ~~and~~
 - ii. 20 August of Year 1, in the case of subsequent Reserve Capacity Cycles up to and including 2010; and
 - iii. the second Business Day following the confirmation deadline specified in clause 4.1.15, in the case of Reserve Capacity Cycles from 2011 onwards.
- (b) until 5 PM of the last Business Day falling on or before:
 - i. 29 September 2005, in the case of the first Reserve Capacity Cycle; ~~and~~
 - ii. 29 August of Year 1, in the case of subsequent Reserve Capacity Cycles up to and including 2010; and
 - iii. 14 September of Year 1, in the case of Reserve Capacity Cycles from 2011 onwards.

4.1.18. If a Reserve Capacity Auction proceeds, then the IMO must

- (a) run the Reserve Capacity Auction on the first Business Day falling on or following:
 - i. 3 October of 2005, in the case of the first Reserve Capacity Cycle; ~~and~~

ii. 1 September of Year 1, in the case of subsequent Reserve Capacity Cycles up to and including 2010; and

iii. 15 September of Year 1, in the case of Reserve Capacity Cycles from 2011 onwards; and

(b) must publish the results in accordance with clause 4.19.5 by 5 PM of that day.

4.1.20. Each Market Participant holding Certified Reserve Capacity ~~to be traded bilaterally~~ or which has been scheduled by the IMO in a Reserve Capacity Auction must provide to the IMO:

(a) notification, in accordance with clause 4.20, of how many Capacity Credits each Facility will provide; and

(b) notification of any Long Term Special Price Arrangements to be accepted in accordance with clause 4.22,

not later than 5 PM of the last Business Day falling on or before 21 September 20 December of Year 1 of the relevant Reserve Capacity Cycle.

4.1.21. Not later than 5 PM of the last Business Day falling on or before 24 September 23 December of Year 1 of a Reserve Capacity Cycle, the IMO must, in accordance with clause 4.13.10:

(a) notify a Market Participant that has provided a Reserve Capacity Security for a Facility that the Reserve Capacity Security is no longer required; and

(b) return any Reserve Capacity Security which was provided in the form of a cash deposit,

in the event that the Market Participant does not hold Capacity Credits for the Facility to which the Reserve Capacity Security relates in the relevant Reserve Capacity Cycle.

4.1.21A. Not later than 5 PM of the last Business Day falling on or before 24 September of Year 1 of a Reserve Capacity Cycle, the IMO must, in the event that a Reserve Capacity Auction was required, assign Capacity Credits in accordance with clause 4.20.5A.

4.1.26. Reserve Capacity Obligations apply:

...

(b) for subsequent Reserve Capacity Cycles up to and including 2009:

i. from the Trading Day commencing on 1 October of Year 3, for Facilities that were commissioned as at the scheduled time of the Reserve Capacity Auction for the Reserve Capacity Cycle as specified in clause 4.1.18(a) or for Facilities which have provided Capacity Credits in one or both of the two previous Reserve Capacity Cycles;

- ii. from the Trading Day commencing on the scheduled date of commissioning, as specified in accordance with clause 4.10.1(c)(iii)(7), or as revised in accordance with clause 4.27.11A or clause 4.27.11BD, for Facilities commissioned between 1 August of Year 3 and 30 November of Year 3; and
 - iii. from the Trading Day commencing on 30 November of Year 3, for new generating systems undertaking Commissioning Tests after 30 November of Year 3; and
- (c) for subsequent Reserve Capacity Cycles from 2010 onwards:
- i. from the Trading Day commencing on 1 October of Year 3, for Facilities that were commissioned as at the scheduled time of the Reserve Capacity Auction for the Reserve Capacity Cycle as specified in clause 4.1.18(a) or for Facilities which have provided Capacity Credits in one or both of the two previous Reserve Capacity Cycles;
 - ii. from the Trading Day commencing on the scheduled date of commissioning, as specified in accordance with clause 4.10.1(c)(iii)(7), or as revised in accordance with clause 4.27.11A or clause 4.27.11BD, for Facilities commissioned between 1 June of Year 3 and 1 October of Year 3; and
 - iii. from the Trading Day commencing on 1 October of Year 3, for new generating systems undertaking Commissioning Tests after 1 October of Year 3.

4.2.7. By the date and time specified in clause 4.1.6, the IMO must publish the following information:

- (a) the number of Expression of Interests received;
- (b) based on the Expression of Interests, the additional Reserve Capacity potentially available, categorised as:
 - i. capacity associated with Facilities that are committed; and
 - ii. capacity associated with Facilities that are not yet committed, where this capacity is to be further categorised between new Facilities for which:
 1. an offer by the relevant Network Operator to enter into an Arrangement for Access ("**Access Proposal Offer**") has been made and all necessary Environmental Approvals granted;
 2. applications for both Access Proposals ~~Offers~~ and Environmental Approvals have been made and one or both are being processed;
 3. no Access Proposal ~~Offer~~ has been applied for or some or all Environmental Approvals have not been applied for;

...

4.4.1. An Expression of Interest for a Reserve Capacity Cycle must include the following information:

...

(d) for each Facility:

...

ii. the status of any applications for Access Proposals ~~Offers~~ in respect of that Facility;

...

4.7.1. ~~By the time and date specified in clause 4.1.9, the IMO must release the Reserve Capacity Information Pack for a Reserve Capacity Cycle to those who provided Expressions of Interest to the IMO in accordance with clause 4.2.6 for that Reserve Capacity Cycle. [BLANK]~~

4.9.5. If the IMO assigns Certified Reserve Capacity to a Facility for a future Reserve Capacity Cycle under clause 4.11 (“**Conditional Certified Reserve Capacity**”):

...

(c) if the IMO is satisfied that the application re-lodged in accordance with paragraph (b) is consistent with the information upon which the Conditional Certified Reserve Capacity was assigned and is correct, then the IMO must confirm:

- i. the Certified Reserve Capacity;
- ii. the Reserve Capacity Obligations Quantity; and
- iii. the Reserve Capacity Security levels,

that were previously conditionally assigned, set or determined by the IMO, subject to the Certified Reserve Capacity for an Intermittent Generator being assigned in accordance with clause ~~4.11.2(b)~~4.11.1(d) or 4.11.1(e); and

...

4.9.9. If the IMO assigns Certified Reserve Capacity to a Facility in respect of a Reserve Capacity Cycle, the IMO must advise the applicant:

...

(e) upon the request of the applicant, the calculations upon which the IMO’s determinations are based.

4.9.9A The IMO must publish, by the date and time specified in clause 4.1.15A, the level of Certified Reserve Capacity assigned to each Facility.

4.10.1. The information to be submitted with an application for certification of Reserve Capacity must pertain to the Reserve Capacity Cycle to which the certification relates, must be supported by documented evidence and must include, where applicable, the following information:

- (a) the identity of the Facility;
- (b) the Reserve Capacity Cycle to which the application relates;
- (bA) with the exception of applications for Conditional Certified Reserve Capacity:
 - i. evidence of an Arrangement for Access or evidence that the Market Participant has accepted an Access Proposal from the relevant Network Operator made in respect of the Facility and that the Facility will be entitled to have access from a specified date occurring prior to the date specified in clause 4.10.1(c)(iii)(7), including the level of unconstrained access and details of any constraints that may apply;

- (c) if the Facility, or part of the facility, is yet to enter service:
 - i. ~~[Blank] with the exception of applications for Conditional Certified Reserve Capacity, a letter from the relevant Network Operator indicating that it has made an Access Proposal Offer in respect of the Facility and that the Facility will be entitled to have access from a specified date occurring prior to the date specified in clause 4.10.1(c)(iii)(7);~~
 - ii. with the exception of applications for Conditional Certified Reserve Capacity, evidence that any necessary Environmental Approvals have been granted or evidence supporting the Market Participant's expectation that any necessary Environmental Approvals will be granted in time to have the Facility meet its Reserve Capacity Obligations by the date specified in clause 4.10.1(c)(iii)(7);
 - iii. the Key Project Dates ~~key project dates~~ occurring after the date the request is submitted to the IMO, including, as applicable, but not limited to:

...

(dA) a description of the main components of the Facility;

...

4.10.2. For the purpose of clause 4.10.1(e)(v), an applicant may not claim that a Facility has an alternative fuel unless the Facility has on-site storage, or uninterruptible supply of that fuel, sufficient to maintain 12 hours of operation at the level of capacity specified in clause 4.10.1(e)(ii).

4.10.3. An application for certification of Reserve Capacity for an Intermittent Generator that is yet to enter service, or has not operated for the full period of performance assessment under 4.11.2(b), must include a report prepared by

an expert accredited by the IMO; in accordance with clause 4.11.6 the Reserve Capacity Procedure, where this report is to be used to assign the Certified Reserve Capacity for that Facility in accordance with clause 4.11.1(e). The report must include estimates of the expected electricity sent out by the Facility for the full period of performance assessment under 4.11.2(b). The applicant may provide the same report until the Facility has been in operation for the full period of performance assessment under clause 4.11.2(b).

4.10.4. If a Market Participant becomes aware of any changes to the details provided to the IMO in accordance with this clause 4.10 for a Facility yet to commence operation or a Facility that is undergoing significant maintenance, then the Market Participant must advise the IMO of the revised details for the Facility as soon as practicable.

4.11.1. Subject to ~~paragraphs (d) and (e) and~~ clause 4.11.7, the IMO must apply the following principles in assigning a quantity of Certified Reserve Capacity to a Facility for the Reserve Capacity Cycle ~~to for which the an application for Certified Reserve Capacity has been submitted in accordance with section 4.10~~relates:

(a) subject to clause 4.11.2, the Certified Reserve Capacity for a ~~Facility~~ Scheduled Generator for a Reserve Capacity Cycle is not to exceed the IMO's reasonable expectation as to the amount of capacity likely to be available ~~from that Facility, after netting off capacity required to serve Intermittent Loads, embedded loads and Parasitic Loads, at daily peak demand times for Peak Trading Intervals on Business Days~~ in the period from the:

(b) where the Facility is a generation system (other than an Intermittent Generator), the Certified Reserve Capacity must not exceed the sum of the capacities specified in clauses 4.10.1(e)(ii) and 4.10.1(e)(iii), and must not exceed the unconstrained level of network access as provided in 4.10.1(bA);

...

(d) ~~[Blank] the IMO must assign Certified Reserve Capacity for Intermittent Generators that are already operating equal to the Relevant Level determined in accordance with clause 4.11.3A but subject to (b), (c), (f), (g), (h) and (i).~~

(e) ~~[Blank] the IMO must assign Certified Reserve Capacity to an Intermittent Generator that is yet to commence operation based on :~~

i. ~~the Certified Reserve Capacity estimate contained in any report provided by the applicant in accordance with clause 4.10.3, where:~~

1. ~~the report was produced by an expert accredited by the IMO in accordance with clause 4.11.6; and~~

2. ~~the estimate reflects what the expert considers the Certified Reserve Capacity of the Facility would have been for the purposes of clause 4.11.2(b) had a history of performance been available.~~

...

- (g) in respect of a Facility that will be subject to a Network Control Service contract, the IMO must not assign Certified Reserve Capacity in excess of the capacity that the IMO believes that Facility can usefully contribute given its location and any ~~transmission~~ network constraints that are likely to occur;

...

4.11.2. Where an applicant submits an application for Certified Reserve Capacity, in accordance with section 4.10, and nominates under clause 4.10.1(i) to have the IMO use the methodology described in clause 4.11.2(b) to apply to a Scheduled Generator or a Non-Scheduled Generator, the IMO:

...

4.11.3A. The Relevant Level in respect of a Facility at a point in time is determined by the IMO following these steps:

...

- (c) If the Generator has not entered service, or if it entered service during the period referred to in step (a), estimate the amount of electricity (in MWh) that would have been sent out by the facility, had it been in service, for all Trading Intervals occurring during the period referred to in (a) which are prior to it entering service. The IMO must use the estimates included in the expert report provided in accordance with clause 4.10.3, unless it reasonably believes that the information used to derive the estimates included in the report is inaccurate or the methodology applied is not consistent with the Market Rules; and

4.11.5. In assigning Certified Reserve Capacity to a Facility, the IMO may:

- (a) require Network Operators to confirm that the data and information related to clause 4.10.1 ~~(bA)(c)(i)~~ provided to the IMO by or on behalf of an applicant for Certified Reserve Capacity is complete, accurate and up to date; and

...

4.11.10. Upon the receipt of advice provided in accordance with clause 4.10.4 for a Facility that has already been assigned Capacity Credits for the relevant Capacity Year, the IMO must review the information provided and decide whether it is necessary for the IMO to reassess the assignment of Certified Reserve Capacity to the Facility. If this information would have resulted in the IMO assigning a lower, non-zero level of Certified Reserve Capacity the IMO

must reduce the Capacity Credits assigned to that Facility accordingly and must advise the Market Participant within 90 days of receiving the submission.

4.11.11 Where the IMO reassesses the amount of Certified Reserve Capacity assigned to a Facility under clause 4.11.10 based on information provided to the IMO under clause 4.10.4 the Market Participant will pay a Reassessment Fee to cover the cost of processing the reassessment.

4.15.1. If the information provided under clauses 4.14 and 4.28C indicates that no Certified Reserve Capacity is to be made available in the Reserve Capacity Auction for a Reserve Capacity Cycle, or, based on the information received under clause 4.14, the IMO considers that the Reserve Capacity Requirement for the Reserve Capacity Cycle will be met without an auction, then, by the date and time specified in clause 4.1.16, the IMO must publish a notice specifying for that Reserve Capacity Cycle:

...

(cA) the Capacity Credits assigned, by Facility, under clause 4.28C;

...

4.20.1. ~~Each Market Participant~~ If the IMO holds a Reserve Capacity Auction in any year, each Market Participant that has a Reserve Capacity Offer scheduled under clause 4.19.4 must, by the date and time specified in clause 4.1.20, notify the IMO of:

(a) the total number of Capacity Credits that it will provide from each of its Facility-Facilities will provide during the Capacity Year commencing on 1 October of Year 3 of the Reserve Capacity Cycle. The information provided must be consistent with the requirements of paragraph (c) and (e); and

(b) the number of those Capacity Credits the Market Participant anticipates will be acquired by the IMO. has acquired as a result of the Reserve Capacity Auction, subject to. The information provided must be consistent with the requirements of paragraph (d) and (ee);

...

(d) the total number of Capacity Credits which the Market Participant anticipates will be acquired by the IMO from the Market Participant must be consistent with

i. the quantity of Certified Reserve Capacity held by that Market Participant and scheduled by the IMO in the Reserve Capacity Auction, as published in accordance with clause 4.19.5(b);

ii. the quantity of Certified Reserve Capacity held by the Market Participant which remains the subject of pre-existing Long Term Special Price Arrangements and which the Market Participant intends not to trade bilaterally; and

- iii. plus the quantity of Certified Reserve Capacity held by the Market Participant for Facilities to be subject to Network Control Service Contracts except where these are to be traded bilaterally as defined in clause 4.14.2; and

...

4.20.5A Where a Reserve Capacity Auction is:

- (a) cancelled under clause 4.15.1 the IMO must assign Capacity Credits to each Facility included in a notification under clause 4.14.9. The quantity of Capacity Credits assigned will equal the quantity in the notification. The IMO must publish the Capacity Credits assigned, by Facility, by the date and time specified in clause 4.1.16.
- (b) not cancelled under clause 4.15.1 the IMO must assign Capacity Credits:
 - i. to each Facility for which a Market Participant lodged a notification under clause 4.20.1(a). The quantity of Capacity Credits assigned will equal the quantity notified under that clause and confirmed by the IMO under clause 4.20.2; and
 - ii. to each Facility included in a notification under clause 4.14.9. The quantity of Capacity Credits assigned will equal the quantity notified under that clause, as may be amended by a notification given under clause 4.20.1 and confirmed by the IMO under clause 4.20.2.

The IMO must publish the Capacity Credits assigned, by Facility, by the date and time specified in clause 4.1.21A; and

- (c) not cancelled under clause 4.15.1 and the IMO receives no notification under clause 4.20.1 from a Market Participant, the IMO must not assign Capacity Credits to that Market Participant.

4.27.10. ~~Subject to clauses 4.27.11C and 4.27.10A,~~ Market Participants holding Capacity Credits for Facilities that are yet to commence operation must file a report on progress with the IMO;

- (a) at least once every three months from the date the Capacity Credits are ~~is~~ confirmed under clause 4.20.5A; and
- (b) at least once every month between the start of the calendar year in which the date referred to in clause 4.10.1(c)(iii)(7) falls and the date the IMO notifies the Market Participant, under clause 4.13.10A(b), that the need to maintain the Reserve Capacity Security for the Facility has ceased.

4.27.10A. [Blank] ~~Market Participants holding Capacity Credits for Facilities that are yet to commence operation must file a report on progress with the IMO at least~~

once every month between the commencement of the calendar year in which the date referred to in clause 4.10.1(c)(iii)(7) falls and the date the IMO has notified the Market Participant, in accordance with clause 4.13.10A, of its determination, that the need to maintain the Reserve Capacity Security for the Facility has ceased.

- 4.27.11. ~~The report Reports provided under described in clause 4.27.10 or clause 4.27.10A, whichever applies, must include the current nominations of each date to which clause 4.10.1(c)(iii) refers any changes to Key Project Dates.~~
- 4.27.11A ~~On receiving the report described in clause 4.27.10 or clause 4.27.10A, the IMO must conduct an assessment and approve or not approve the current nominations for each date provided in accordance with clause 4.27.11 where the current nomination differs from the previous nomination and would result in a change to the date from which Reserve Capacity Obligations apply for that Facility. Upon receipt of a report provided under clause 4.27.10(a) the IMO must revise the date referred to in clause 4.10.1(c)(iii)(7) in accordance with the report.~~
- 4.27.11B ~~Upon receipt of a report provided under clause 4.27.10(b) or 4.27.11D ~~From the commencement of the calendar year in which the date referred to in clause 4.10.1(c)(iii)(7) falls,~~ the IMO must consult with System Management when conducting its assessment in accordance with clause 4.27.11A of a nomination for a date to which clause 4.10.1(c)(iii)(7) refers. The IMO must reject a change to the Key Project Dates not approve that nomination if, in System Management's advises that in its opinion, the Facility, or part of the Facility, is unlikely to have completed all Commissioning Tests by the nominated date specified in the report. If the IMO does not reject a change to the Key Project Dates, the IMO must revise the date referred to in clause 4.10.1(c)(iii)(7) in accordance with the report.~~
- 4.27.11C ~~If, in accordance with clause 4.27.11BA, the IMO rejects does not approve a change to the Key Project Dates one or more of the nominated dates provided in accordance with clause 4.27.11 4.27.10(b) or 4.27.11D the IMO must, within ten business days from the date a report is submitted in accordance with clause 4.27.10A or clause 4.27.11D of receiving the report, notify the Market Participant of its decision and provide reasons why the dates have ~~not been rejected~~ approved.~~
- 4.27.11D ~~Where the IMO rejects a change to the Key Project Dates in respect of a report submitted in accordance with clause 4.27.10 or clause 4.27.10A including the dates nominated in accordance with clause 4.27.11, the IMO it may require the Market Participant to provide supporting evidence additional information, submitted by a suitably authorised person, and the IMO may also require the Market Participant to submit further reports in accordance with clause 4.27.10 or clause 4.27.10A, or revise the dates nominated in accordance with 4.27.11 the Key Project Dates. The provisions of clauses 4.27.11 to this clause 4.27.11D will apply to any further reports.~~

- 4.28C.1. This section 4.28C is applicable to ~~Registered~~ Facilities to which the following conditions apply:
- ...
- 4.28C.2 A Market Participant with a ~~Registered~~ Facility that meets the criteria in 4.28C.1 may apply to the IMO, at any time ~~between the date when the Facility was registered under Chapter 2 and before~~ 1 January of Year 1 of the Capacity Cycle to which the application relates, for certification of Capacity and Capacity Credits for that Facility ("Early Certified Reserve Capacity").
- 4.29.1. The Monthly Reserve Capacity Price to apply during the period specified in clause 4.1.29 is to equal:
- (a) if a Reserve Capacity Auction was run for the Reserve Capacity Cycle, the Reserve Capacity Price for the Reserve Capacity Cycle divided by 12; or
 - (b) if no Reserve Capacity Auction was run for the Reserve Capacity Cycle:
 - i. prior to 1 October 2008, 85% of the Maximum Reserve Capacity Price for the Reserve Capacity Cycle divided by 12;
 - ii. from 1 October 2008, 85% of the Maximum Reserve Capacity Price for the Reserve Capacity Cycle multiplied by the Excess Capacity Adjustment and divided by 12;
 - (c) the Excess Capacity Adjustment is equal to the minimum of:
 - i. one, and
 - ii. the Reserve Capacity Requirement for the Reserve Capacity Cycle divided by the total number of Capacity Credits assigned by the IMO in accordance with clause 4.20.5A for the Reserve Capacity Cycle.
- 10.5.1 The IMO must set the class of confidentiality status for the following information under clause 10.2.1, as Public and the IMO must make each item of information available from the Market Web-Site after that item of information becomes available to the IMO:
- ...
- (f) the following Reserve Capacity information (if applicable):
- ...
- iiiA. for each Market Participant that was assigned Certified Reserve Capacity, the level of Certified Reserve Capacity assigned to each Facility for each Reserve Capacity Cycle;
- ...

(In Glossary)

Access Proposal Offer: Has the meaning given in clause 4.2.7(b)(ii)(1).

Key Project Dates: Means the dates most recently provided to the IMO under clause 4.10.1(c)(iii) or in reports provided under clause 4.27.10.

Reassessment Fee: A fee determined by the IMO under clause 2.24.2.

APPENDIX 1: FULL DETAILS OF THE PROPOSAL

Background

The reliability of the South West interconnected system (SWIS) depends on generators and Demand Side Management providers delivering the capacity that they have offered. Each year, all Facilities wanting to apply for Capacity Credits in the RCM must apply for certification of Reserve Capacity. The certification process is designed to ensure that a facility assigned Capacity Credits can meet its obligations and provide the capacity when it is required. The IMO undertakes a process of certification through which it satisfies itself that, among other things:

- the facility will be able to deliver the quantity of capacity that is being offered; and
- if the facility is yet to enter service, that it will be able to supply power into the SWIS by the date claimed.

In applying for certification, developers need to provide information such as:

- Details of their facility's capacity and temperature dependence.
- Information on fuel supply.
- Projected maintenance outage rates.
- Key project dates for new facilities.

The process of certification takes place between mid-July and early August each year.

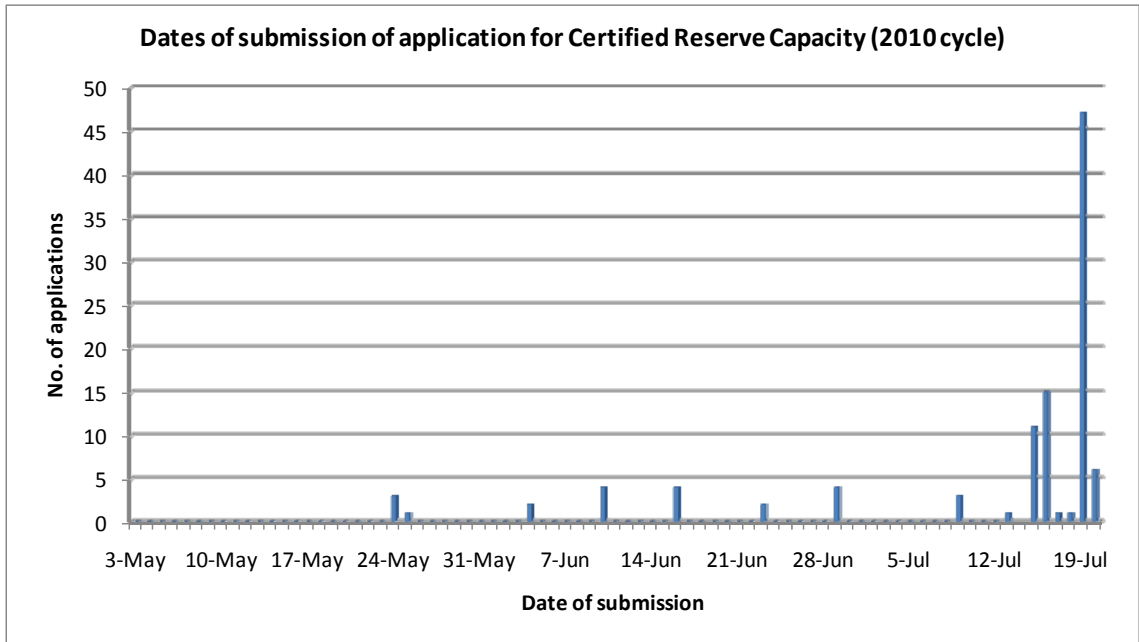
Issue

The IMO has identified a number of issues with the Market Rules surrounding certification of Reserve Capacity as part of its ongoing review of the Market Rules and during the recently completed certification process. These are explained in further detail below.

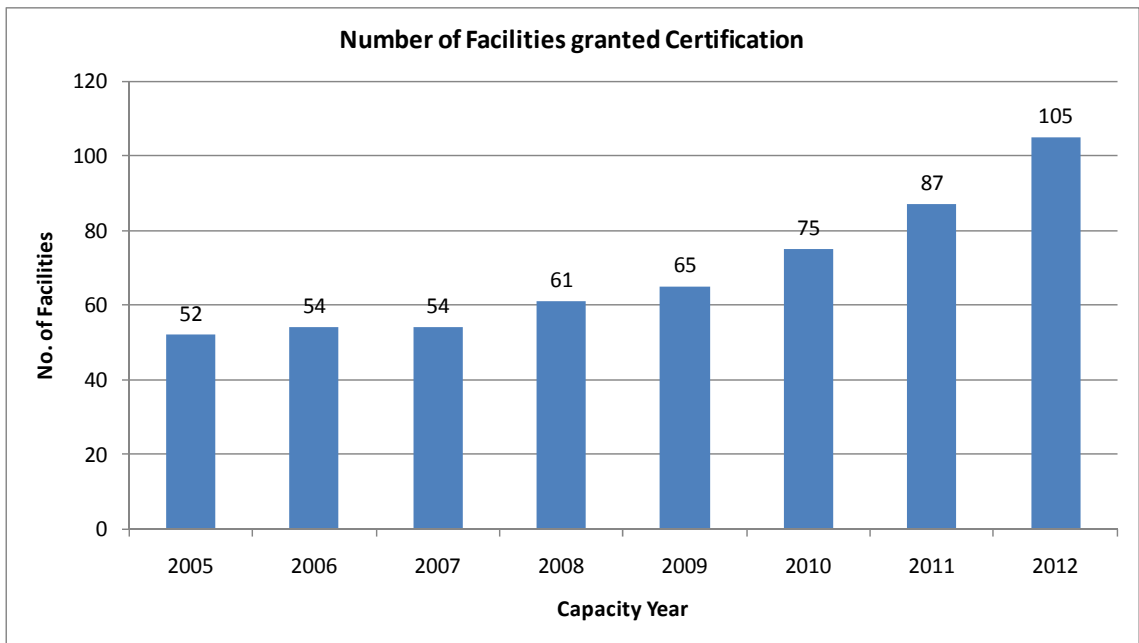
Issue 1: Reserve Capacity Mechanism timeline

The IMO has identified opportunities to improve the Reserve Capacity Mechanism timeline.

Applications for certification of Reserve Capacity close on the last business day falling on, or before, 20 July in each year. The IMO then has 12 business days until the deadline for confirming Certified Reserve Capacity on the last business day on, or before, 5 August. Although the window for submission of applications is open for approximately 11 weeks, the majority of applications are submitted in the last days before the deadline. This is demonstrated in the graph below that shows the timing of submissions for the 2010 certification process.



The number of certified Facilities has doubled since market start, as shown in the graph below. This, along with the fact that the majority of applications for certification are submitted close to the deadline, has placed increasing strain on the IMO's ability to process the applications within the current timeline. The timeliness of information for Market Participants could be improved by increasing the time available for review of applications.



The IMO has also observed that the short time available for Market Participants with new Facilities to provide Reserve Capacity Security has proven difficult. Where a Market Participant intends to bilaterally trade its capacity, the Reserve Capacity Security must be provided by the last business day on, or before, 10 August. This may only allow 3 business days after the Market Participant has received confirmation of Certified Reserve Capacity. The IMO proposes to increase the time available for delivery of Reserve Capacity Security

In addition, the Market Rules do not explicitly indicate the time at which Capacity Credits are assigned to Facilities. It can be implied from clauses 4.1.20 and 4.1.21 of the Market Rules that this allocation occurs at some time between 20 December and 23 December after Market Participants confirm how many Capacity Credits each Facility will provide. This mechanism allows a Participant to transfer Capacity Credits from a Facility that has been cleared in the Reserve Capacity Auction to another that was not cleared. This could happen sooner after the auction results are published. The IMO proposes that this mechanism, which is currently required under all circumstances, should not be required when the Reserve Capacity Auction is cancelled.

Proposed Solution

The IMO proposes that:

- the Market Rules be updated (clauses 4.1.16, (new) 4.1.21A, 4.15.1, 4.20.1, 4.20.5A and 4.27.10) to explicitly state that Capacity Credits are assigned either:
 - at the time that the Reserve Capacity Auction is cancelled; or
 - after Market Participants have confirmed the number of Capacity Credits that each Facility will provide.
- some of the Reserve Capacity Cycle dates be modified as shown in the table below.

	Description of event	Current date	Proposed date	Clause
1	IMO publishes the Statement of Opportunities and releases the Reserve Capacity Information Pack	1 July	17 June	4.1.8 and 4.1.9
2	IMO publishes Reserve Capacity Information Pack on website	15 July	24 June	4.1.10
3	IMO ceases to accept lodgement of applications for certification of Reserve Capacity	20 July	1 July	4.1.11
4	IMO notifies applicants of Certified Reserve Capacity	5 August	19 August	4.1.12
5	Participants provide Reserve Capacity Security for capacity to be traded bilaterally	10 August	2 September	4.1.13
6	Participants make Bilateral Trade Declaration	10 August	2 September	4.1.14
7	IMO confirms the amount of capacity that can be traded bilaterally	1 business day after (6)	1 business day after (6)	4.1.15
8	IMO advises whether Reserve Capacity Auction is required	18 August	2 business days after (6)	4.1.16
9	If no auction required, assign Capacity Credits	Not explicit	2 business days after (6)	4.1.16
10	Reserve Capacity Auction submission window opens	20 August	3 business days after (6)	4.1.17(a)
11	Reserve Capacity Auction submission window closes	29 August	14 September	4.1.17(b)
12	Participants provide Reserve Capacity Security for capacity offered into Reserve Capacity Auction	27 August	14 September	4.1.13
13	IMO runs the Reserve Capacity Auction and publishes results	1 September	15 September	4.1.18
14	Participants who had capacity scheduled in the Reserve Capacity Auction confirm how many Capacity Credits each Facility will provide and whether Special Price Arrangements will be accepted	20 December	21 September	4.1.20

	Description of event	Current date	Proposed date	Clause
15	Where applicable, IMO notifies Participants that Reserve Capacity Security is no longer required, or returns cash deposits; IMO confirms Capacity Credits if auction held	23 December	24 September	4.1.21
16	If Reserve Capacity Auction held, assign Capacity Credits	Not in current rules	24 September	(new) 4.1.21A

Issue 2: Requirement for compliant application to be submitted for Certified Reserve Capacity

In discussing the assignment of Certified Reserve Capacity, the Market Rules makes reference to “the application” and “applicant”. This section does not specifically refer to the application for Certified Reserve Capacity, nor does it require compliance with the requirements of section 4.10. Also, the Market Rules do not explicitly state that the application should include evidence to support the information provided in accordance with section 4.10.

Proposed Solution

The IMO proposes to update the Market Rules to specifically require Market Participants to provide an application for Certified Reserve Capacity in compliance with section 4.10 and to provide supporting evidence for the information provided in the application (clauses 4.11.1 and 4.11.2).

Issue 3: Clarification of Required Availability

The Market Rules currently require the IMO to assess the level of capacity “likely to be available ... at daily peak demand times” (clause 4.11.1(a)) in assessing an application for Certified Reserve Capacity. The IMO considers that this statement requires further clarification in the Market Rules.

- There is ambiguity in the Market Rules around the ability to award Capacity Credits to a Non-Scheduled Generator according to the methodology described in clause 4.11.1(a). A key component of the Reserve Capacity Target is the reserve margin, which allows for the unexpected unavailability of one or more generators on the SWIS. A Non-Scheduled Generator, unable to be directed by System Management to increase its output in the event of Forced Outages, cannot contribute to the reserve margin and thus cannot be expected to be available at “peak demand times”. Such a Facility should, therefore, only be eligible for certification under the methodology typically used for Intermittent Generators, as described in clause 4.11.2(b). This methodology currently considers average output during the previous three years.
- The requirement for a peaking plant to have sufficient fuel to support operation for 14 hours each day for 10 months of the year is extremely onerous and could result in Market Participants incurring unnecessary additional costs. It is unlikely that peaking plants will be required to operate at this level so it would be reasonable to clarify the availability requirement to refer to Peak Trading Intervals on Business Days, particularly given that system demand is typically lower on weekends and public holidays.
- The Market Rules state that in order for a Facility to be certified as dual fuel it must have sufficient supply and/or supply of the back-up fuel to maintain 12 hours of operation. However, the Market Rules do not state the required level of operation.

Proposed Solution

The IMO proposes to:

- stipulate that the methodology described in clause 4.11.1(a) is only applicable to Scheduled Generators;
- clarify the requirement in clause 4.11.1(a) for Facilities to be “likely to be available ... for Peak Trading Intervals on Business Days” to clarify the fuel requirements; and
- clarify in clause 4.10.2 that dual-fuelled Facilities must be able to operate for 12 hours at the requested level of Certified Reserve Capacity.

Issue 4: Transmission access requirements

In order to grant Certified Reserve Capacity to a Facility, the IMO reviews the arrangements for the Facility to gain transmission access. The Market Rules refer to an “Access Offer”, which is inconsistent with the Access Proposals issued by Western Power. The Access Offer, or Electricity Transfer Access Contract (ETAC) is rarely issued sufficiently in advance to be able to reviewed at the time when a Facility is first certified.

Proposed Solution

The IMO proposes to replace the phrase “Access Offer” with “Access Proposal” in the Market Rules. This aligns the Rules with the terminology used by Western Power (clauses 4.2.7, 4.4.1, 4.10.1 and the Glossary).

Issue 5: Widen requirement for provision of environmental and transmission access approvals

Clause 4.10.1(c) of the Market Rules requires that applicants for Certified Reserve Capacity must provide evidence of transmission access and environmental approvals for Facilities that have yet to enter service. Environmental approvals and ETACs typically have expiry dates, so it is reasonable for the IMO to review these approvals for all Facilities as part of its assessment for Certification of Reserve Capacity. By widening this requirement to all Facilities, the IMO will be able to confirm the ongoing validity of these approvals.

In addition, some Access Proposals or ETACs incorporate Run-Back Schemes that may inhibit the availability of a Facility during peak demand times. The Market Rules do not currently consider these arrangements, nor do they provide any link between the level of access and the level of Certified Reserve Capacity.

Proposed Solution

The IMO proposes to require that evidence of transmission access and environmental approval be provided for all Facilities (clause 4.10.1). The IMO also proposes to require that Market Participants provide information about any network constraints that may impact the availability of the capacity of the Facility (clauses 4.11.1 and 4.11.5).

Issue 6: Clarification around Intermittent and other Non-Scheduled Generators

Applications for Certified Reserve Capacity for Intermittent Generators that have yet to enter service must include a report prepared by an accredited expert. The use of the expert report requires clarification in the Market Rules.

- The Market Rules state that the IMO “must” use the expert report provided for the Facility, even when the information contained in the expert report is potentially invalid.
- The Market Rules currently imply that a Participant must produce a new report each year that will estimate the Facility output over the preceding three years. Given that the report is unlikely to vary significantly from previous versions, this may require additional, unnecessary cost to the Market Participant.
- The Market Rules do not currently require the provision of an expert report for an in-service Facility that has not yet operated for the full period of performance assessment. In this scenario, the Market Rules state that the IMO must estimate the Facility output for the remainder of the assessment period but do not necessarily require the use of the expert report in this case.

Proposed Solution

The IMO proposes to amend the Market Rules to:

- allow the IMO to reject the expert report if it reasonably believes it to be inaccurate (clause 4.11.3A);
- stipulate that the same expert report can be provided by the Market Participant until the Facility has operated for the full period of performance assessment (clause 4.10.3);
- stipulate that the expert report must also be provided for an in-service Facility that has not yet operated for the full period of performance assessment (clause 4.10.3); and
- remove unnecessary duplication in the Rules that discuss the expert report, predominantly by removing the text in 4.11.1(d) and (e).

Issue 7: Transmission or other network constraints

Where a Facility is subject to a Network Control Services contract, the Market Rules currently direct the IMO to assign Capacity Credits to the Facility with regard to any transmission constraints that are likely to occur (clause 4.11.1 (g)). The IMO Procedure Change and Development Working Group identified that this definition is too narrow and considered that this needs to be broadened to refer to network constraints¹.

Proposed Solution

The IMO proposes to replace the phrase “transmission constraints” with “network constraints” in the Market Rules (clause 4.11.1).

Issue 8: Erroneous references to “Registered Facilities”

Section 4.28C of the Market Rules, covering the Early Certification of Reserve Capacity, contains erroneous references to Registered Facilities. New Facilities may not be registered at the time that an application for certification of Reserve Capacity is submitted.

Proposed Solution

The IMO proposes to correct the erroneous references to Registered Facilities contained in section 4.28C.

¹ See minutes from Meeting #5, 22 April 2010, page 7

Issue 9: Provision of calculations on which the IMO's assessment is based

The IMO is currently required to provide each Market Participant with the "calculations upon which the IMO's determinations are based" when advising the Participant of the amount of Certified Reserve Capacity being assigned to each Facility (clause 4.9.9(e)). Given the large number of Facilities, this is an onerous requirement for the IMO.

Proposed Solution

The IMO proposes to amend the Market Rules to state that the IMO must provide these calculations when requested to do so by a Market Participant (clause 4.9.9(e)).

Issue 10: Publication of Certified Reserve Capacity information by Facility

The IMO is currently permitted to publish Capacity Credit information by Facility. One Market Participant has suggested that the IMO could similarly publish the quantity of Certified Reserve Capacity assigned to each Facility prior to the Bilateral Trade Declaration process.

The publication of such information could assist Participants in assessing whether to withdraw some Certified Reserve Capacity in an over-supply scenario. Such a result could reduce the number of Capacity Credits awarded through market forces and thus lower the total cost of capacity in the market. There may be a risk that the publication of this data could encourage Participants to force a Reserve Capacity Auction, and potentially a higher Reserve Capacity Price, if the level of Certified Reserve Capacity matches, or fails to reach, the Reserve Capacity Requirement.

Proposed Solution

The IMO proposes to publish of the quantity of Certified Reserve Capacity assigned to each Facility on the same day that each Market Participant is notified of its Certified Reserve Capacity (clauses 4.4.9A and 10.5.1).

Issue 11: Changes to Facility design after Capacity Credits awarded OR Maintenance of data provided for Certification of Reserve Capacity

The Market Rules are currently silent on the subject of changes to a Facility after it has been awarded Certified Reserve Capacity and do not preclude changes to the Facility details from the time it is assigned Capacity Credits. Changes to the design of a Facility may be such that the IMO should reassess the Facility to confirm that the change would not have prevented the IMO from assigning Certified Reserve Capacity. Such a reassessment would require the payment of an Application Fee to the IMO, similar to the requirements for applications for conditional certification or subsequent Early Certified Reserve Capacity.

Proposed Solution

The IMO proposes that Market Participants should provide a summary of the main components of the Facility in their application for Certified Reserve Capacity (clause 4.10.1). The IMO also proposes that Market Participants be obliged to advise the IMO of any changes to the information provided in applications for Certified Reserve Capacity (new clause 4.10.4).

The IMO would then review the changes and determine whether it would need to reassess the Facility to determine whether it still meets the requirements or Certified Reserve Capacity (new clause 4.11.10). The Market Participant will pay a fee to the IMO for this reassessment (clause 4.9.3(c)).

Issue 12: Repeated rejection of progress reports by IMO

Once Capacity Credits are assigned to a new Facility for the first time, the Market Participants must provide 3-monthly progress reports from the date that the assignment of Capacity Credits is confirmed until the start of the calendar year in which the Facility was initially scheduled to commence operation. The Market Participant must then provide monthly progress reports until the project commences operation. The progress report may include a revised nomination for the date that Facility is scheduled to be able to fully meet its Reserve Capacity Obligations.

Clause 4.27.11A of the Market Rules requires that the IMO “must not approve a nomination for a date which would have prevented the IMO from assigning Certified Reserve Capacity to a Facility” and must advise the Market Participant within 10 business days of its decision to reject the nomination and the reason for doing so. In the event that a project is delayed and the completion date is pushed beyond the 4-month window in which Reserve Capacity Obligations can commence, this clause forces the IMO to reject every subsequent progress report and to repeatedly notify the Market Participant of this rejection. As the window for the commencement of Reserve Capacity Obligations is stated clearly in clause 4.1.26 of the Market Rules, this repeated rejection of the nomination is not informative for Market Participants and unnecessarily increases the workload of the IMO.

Proposed Solution

The IMO proposes to clarify clause 4.27.11A to state that the IMO only needs to approve or reject a nomination if it would result in a change to the date from which Reserve Capacity Obligations would commence.

APPENDIX 2: PROPOSED AMENDING RULES IN THE RULE CHANGE PROPOSAL

The IMO proposed the following amendments to the Market Rules in its Rule Change Proposal (~~deleted text~~, added text):

The following changes will amend the Reserve Capacity Cycle timeline and clarify the timing of the assignment of Capacity Credits to Facilities, as proposed in the discussion of Issue 1.

- 4.1.8. The IMO must publish a Statement of Opportunities Report produced in accordance with the Long Term PASA process described in clause 4.5.11 by 5 PM of the first Business Day falling on or following 17 June ~~1 July~~ of Year 1 of the relevant Reserve Capacity Cycle.
- 4.1.9. The IMO must release the Reserve Capacity Information Pack in accordance with clause 4.7.1 by 5 PM of the first Business Day falling on or following 17 June ~~1 July~~ of Year 1 of the relevant Reserve Capacity Cycle.
- 4.1.10. The IMO must publish on the Market Web Site the Reserve Capacity Information Pack in accordance with clause 4.7.2 by 5 PM of the first Business Day falling on or following 24 June ~~15 July~~ of Year 1 of the relevant Reserve Capacity Cycle.
- 4.1.11. The IMO must cease to accept lodgement of applications for certification of Reserve Capacity for the Reserve Capacity Cycle in accordance with clause 4.9.1 from 5 PM of the last Business Day falling on or before:
- (a) 20 July of Year 1 of the Reserve Capacity Cycle for Reserve Capacity Cycles up to and including 2010; and
 - (b) 1 July of Year 1 for Reserve Capacity Cycles from 2011 onwards.
- 4.1.12. The IMO must notify each applicant for certification of Reserve Capacity of the Certified Reserve Capacity to be assigned by 5 PM of the last Business Day on, or before;:
- (a) 5 August of Year 1 of the Reserve Capacity Cycle for Reserve Capacity Cycles up to and including 2010; and
 - (b) 19 August of Year 1 for Reserve Capacity Cycles from 2011 onwards.
- 4.1.13. Each Market Participant must provide to the IMO any Reserve Capacity Security (~~in full~~) required in accordance with clause 4.13.1 not later than 5 PM of the last Business Day falling on or before:
- (a) for Reserve Capacity Cycles up to and including 2010; 10 August of Year 1 of the relevant Reserve Capacity Cycle if any of the Facility's Certified Reserve Capacity is specified to be traded bilaterally in accordance with clause 4.14.1(c); or

- (i) 10 August of Year 1 of the relevant Reserve Capacity Cycle if any of the Facility's Certified Reserve Capacity is specified to be traded bilaterally in accordance with clause 4.14.1(c); or
 - (ii) 29 August of Year 1 of the relevant Reserve Capacity Cycle if any of the Facility's Certified Reserve Capacity is specified to be offered into the Reserve Capacity Auction in accordance with clause 4.14.1(a) and where none of the Facility's Certified Reserve Capacity is specified to be traded bilaterally in accordance with clause 4.14.1(c).
 - (b) ~~for Reserve Capacity Cycles from 2011 onwards: 29 August of Year 1 of the relevant Reserve Capacity Cycle if any of the Facility's Certified Reserve Capacity is specified to be offered into the Reserve Capacity Auction in accordance with clause 4.14.1(a) and where none of the Facility's Certified Reserve Capacity is specified to be traded bilaterally in accordance with clause 4.14.1(c).~~
 - (i) 2 September of Year 1 of the relevant Reserve Capacity Cycle if any of the Facility's Certified Reserve Capacity is specified to be traded bilaterally in accordance with clause 4.14.1(c); or
 - (ii) 14 September of Year 1 of the relevant Reserve Capacity Cycle if any of the Facility's Certified Reserve Capacity is specified to be offered into the Reserve Capacity Auction in accordance with clause 4.14.1(a) and where none of the Facility's Certified Reserve Capacity is specified to be traded bilaterally in accordance with clause 4.14.1(c).
- 4.1.14. Each Market Participant holding Certified Reserve Capacity for the Reserve Capacity Cycle must provide to the IMO notification in accordance with clause 4.14.1 as to how much of its Certified Reserve Capacity will be traded bilaterally and how much will be offered to the IMO in the Reserve Capacity Auction held in Year 1 of the relevant Reserve Capacity Cycle not later than 5 PM of the last Business Day falling on or before:
- (a) 9 September 2005, in the case of the first Reserve Capacity Cycle; ~~and~~
 - (b) 10 August of Year 1, in the case of subsequent Reserve Capacity Cycles up to and including 2010; and
 - (c) 2 September of Year 1, in the case of Reserve Capacity Cycles from 2011 onwards.
- 4.1.16. The IMO must publish the information required by clauses 4.15.1 and 4.15.2 pertaining to whether or not a Reserve Capacity Auction is required by 5 PM of the last Business Day falling on or before:
- (a) 16 September 2005, in the case of the first Reserve Capacity Cycle; ~~and~~
 - (b) 18 August of Year 1, in the case of subsequent Reserve Capacity Cycles up to and including 2010; and

(c) the first Business Day following the confirmation deadline specified in clause 4.1.15, in the case of Reserve Capacity Cycles from 2011 onwards.

If the Reserve Capacity Auction is cancelled, the IMO will assign Capacity Credits on the same day in accordance with clause 4.20.5A(a).

- 4.1.17. If a Reserve Capacity Auction proceeds, then the IMO must accept submission of Reserve Capacity Offers from Market Participants in accordance with clause 4.17.2:
- (a) from 9 AM of the first Business Day falling on or following:
 - i. 20 September 2005 of Year 1, in the case of the first Reserve Capacity Cycle; ~~and~~
 - ii. 20 August of Year 1, in the case of subsequent Reserve Capacity Cycles up to and including 2010; and
 - iii. the second Business Day following the confirmation deadline specified in clause 4.1.15, in the case of Reserve Capacity Cycles from 2011 onwards.
 - (b) until 5 PM of the last Business Day falling on or before:
 - i. 29 September 2005, in the case of the first Reserve Capacity Cycle; and
 - ii. 29 August of Year 1, in the case of subsequent Reserve Capacity Cycles up to and including 2010; and
 - iii. 14 September of Year 1, in the case of Reserve Capacity Cycles from 2011 onwards.
- 4.1.18. If a Reserve Capacity Auction proceeds, then the IMO must
- (a) run the Reserve Capacity Auction on the first Business Day falling on or following:
 - i. 3 October of 2005, in the case of the first Reserve Capacity Cycle; ~~and~~
 - ii. 1 September of Year 1, in the case of subsequent Reserve Capacity Cycles up to and including 2010; and
 - iii. 15 September of Year 1, in the case of Reserve Capacity Cycles from 2011 onwards; and
 - (b) must publish the results in accordance with clause 4.19.5 by 5 PM of that day.
- 4.1.20. Each Market Participant holding Certified Reserve Capacity ~~to be traded bilaterally or~~ which has been scheduled by the IMO in a Reserve Capacity Auction must provide to the IMO:
- (a) notification, in accordance with clause 4.20, of how many Capacity Credits each Facility will provide; and

- (b) notification of any Long Term Special Price Arrangements to be accepted in accordance with clause 4.22,

not later than 5 PM of the last Business Day falling on or before 21 September ~~20 December~~ of Year 1 of the relevant Reserve Capacity Cycle.

- 4.1.21. Not later than 5 PM of the last Business Day falling on or before 24 September ~~23 December~~ of Year 1 of a Reserve Capacity Cycle, the IMO must, in accordance with clause 4.13.10:

- (a) notify a Market Participant that has provided a Reserve Capacity Security for a Facility that the Reserve Capacity Security is no longer required; and
- (b) return any Reserve Capacity Security which was provided in the form of a cash deposit,

in the event that the Market Participant does not hold Capacity Credits for the Facility to which the Reserve Capacity Security relates in the relevant Reserve Capacity Cycle.

- 4.1.21A. Not later than 5 PM of the last Business Day falling on or before 24 September of Year 1 of a Reserve Capacity Cycle, the IMO must, in the event that a Reserve Capacity Auction was required, assign Capacity Credits in accordance with clause 4.20.5A.

The following changes will change the phrase “Access Offer(s)” to “Access Proposals” as proposed in the discussion of Issue 4.

- 4.2.7. By the date and time specified in clause 4.1.6, the IMO must publish the following information:
 - (a) the number of Expression of Interests received;
 - (b) based on the Expression of Interests, the additional Reserve Capacity potentially available, categorised as:
 - i. capacity associated with Facilities that are committed; and
 - ii. capacity associated with Facilities that are not yet committed, where this capacity is to be further categorised between new Facilities for which:
 - 1. an offer by the relevant Network Operator to enter into an Arrangement for Access (“**Access Proposal Offer**”) has been made and all necessary Environmental Approvals granted;
 - 2. applications for both Access Proposals ~~Offers~~ and Environmental Approvals have been made and one or both are being processed;
 - 3. no Access Proposal ~~Offer~~ has been applied for or some or all Environmental Approvals have not been applied for;

...

4.4.1. An Expression of Interest for a Reserve Capacity Cycle must include the following information:

...

(d) for each Facility:

...

ii. the status of any applications for Access Proposals ~~Offers~~ in respect of that Facility;

...

The following amendment adds the requirement for payment of an Application Fee where a Market Participant changes the details of a Facility, requiring reassessment against the requirements for Certified Reserve Capacity. This is proposed in the discussion of Issue 11.

4.9.3. A Market Participant applying for certification of Reserve Capacity must provide to the IMO:

...

(c) in the case of an application for conditional certification for a future Reserve Capacity Cycle, a reassessment of the assignment of Certified Reserve Capacity under clause 4.11.10, or subsequent applications for Early Certified Reserve Capacity for a Facility for the same Reserve Capacity Cycle, an Application Fee to cover the cost of processing the application.

The following amendment updates a reference as a result of the changes proposed in the discussion of Issue 6.

4.9.5. If the IMO assigns Certified Reserve Capacity to a Facility for a future Reserve Capacity Cycle under clause 4.11 (“**Conditional Certified Reserve Capacity**”):

...

(c) if the IMO is satisfied that the application re-lodged in accordance with paragraph (b) is consistent with the information upon which the Conditional Certified Reserve Capacity was assigned and is correct, then the IMO must confirm:

- i. the Certified Reserve Capacity;
- ii. the Reserve Capacity Obligations Quantity; and
- iii. the Reserve Capacity Security levels,

that were previously conditionally assigned, set or determined by the IMO, subject to the Certified Reserve Capacity for an Intermittent

Generator being assigned in accordance with clause 4.11.2(b)~~4.11.1(d)~~
~~or 4.11.1(e)~~; and

...

The following change will reduce the burden on the IMO in relation to the provision of calculations upon which the determination of Certified Reserve Capacity is based, as proposed in the discussion of Issue 9.

4.9.9. If the IMO assigns Certified Reserve Capacity to a Facility in respect of a Reserve Capacity Cycle, the IMO must advise the applicant:

...

(e) upon the request of the applicant, the calculations upon which the IMO's determinations are based.

The following change will allow the IMO to publish the level of Certified Reserve Capacity assigned to each Facility, as proposed in the discussion of Issue 10. This information will be classified as public information, clause 10.5.1 will be amended to reflect this.

4.9.9A The IMO must publish, by the date and time specified in clause 4.1.12, the level of Certified Reserve Capacity assigned to each Facility.

The following amendments will:

(a) change the phrase "Access Contract" to "Access Proposals" (Issue 4);

(b) widen the requirement to provide transmission access and environmental approvals (Issue 5); and

(c) require applicants for Certified Reserve Capacity to provide a summary of the main components of their Facilities (Issue 11). It is expected that this requirement will be explained in further detail in the Market Procedure to provide guidance to Market Participants.

4.10.1. The information to be submitted with an application for certification of Reserve Capacity must pertain to the Reserve Capacity Cycle to which the certification relates, must be supported by documented evidence and must include, where applicable, the following information:

(a) the identity of the Facility;

(b) the Reserve Capacity Cycle to which the application relates;

(bA) with the exception of applications for Conditional Certified Reserve Capacity:

i. evidence of an Arrangement for Access or evidence that the Market Participant has accepted an Access Proposal from the relevant Network Operator made in respect of the Facility and that the Facility will be entitled to have access from a specified date occurring prior to the date specified in clause 4.10.1(c)(iii)(7),

including the level of unconstrained access and details of any constraints that may apply;

ii. evidence that any necessary Environmental Approvals have been granted or evidence supporting the Market Participant's expectation that any necessary Environmental Approvals will be granted in time to have the Facility meet its Reserve Capacity Obligations by the date specified in clause 4.10.1(c)(iii)(7);

(c) if the Facility, or part of the facility, is yet to enter service:

i. ~~[Blank] with the exception of applications for Conditional Certified Reserve Capacity, a letter from the relevant Network Operator indicating that it has made an Access Proposal Offer in respect of the Facility and that the Facility will be entitled to have access from a specified date occurring prior to the date specified in clause 4.10.1(c)(iii)(7);~~

ii. ~~[Blank] with the exception of applications for Conditional Certified Reserve Capacity, evidence that any necessary Environmental Approvals have been granted or evidence supporting the Market Participant's expectation that any necessary Environmental Approvals will be granted in time to have the Facility meet its Reserve Capacity Obligations by the date specified in clause 4.10.1(c)(iii)(7);~~

...

(dA) a description of the main components of the Facility;

...

The following change will clarify the required availability for a Facility being assessed according to the methodology described in clause 4.11.1(a), as proposed in the discussion of Issue 3.

4.10.2. For the purpose of clause 4.10.1(e)(v), an applicant may not claim that a Facility has an alternative fuel unless the Facility has on-site storage, or uninterrupted supply of that fuel, sufficient to maintain 12 hours of operation at the level of capacity specified in clause 4.10.1(e)(ii).

The following changes will clarify the use of the expert report for Intermittent Generation Facilities that have yet to enter service in assigning Certified Reserve Capacity, as proposed in the discussion of Issue 6.

4.10.3. An application for certification of Reserve Capacity for an Intermittent Generator that is yet to enter service, or has not operated for the full period of performance assessment under 4.11.2(b), must include a report prepared by an expert accredited by the IMO, in accordance with clause 4.11.6 the Reserve Capacity Procedure, where this report is to be used to assign the Certified Reserve Capacity for that Facility in accordance with clause 4.11.1(e). The report must include estimates of the expected electricity sent out by the Facility for the full period of performance assessment under 4.11.2(b). The applicant may provide

the same report until the Facility has been in operation for the full period of performance assessment under clause 4.11.2(b).

The following new clause will require a Market Participants to advise the IMO in the event that any of the details provided in its application for Certified Reserve Capacity have changed, as proposed in the discussion of Issue 11.

4.10.4. Market Participants must advise the IMO if any of the details provided in an application for Certified Reserve Capacity for a Facility, in accordance with this section 4.10, have changed.

The following changes will:

- (a) ensure that the assignment of Certified Reserve Capacity must relate to the submission of an application submitted in accordance with section 4.10 (issue 2);
- (b) clarify the required availability for a Facility being assessed according to the methodology described in clause 4.11.1(a) (issue 3);
- (c) link the level of Certified Reserve Capacity to the unconstrained level of network access (issue 5);
- (d) remove duplication associated with the use of the expert report for Intermittent Generation Facilities that have yet to enter service (issue 6); and
- (e) widen the consideration of transmission constraints to all network constraints in the assessment of Certified Reserve Capacity for a Facility that will be subject to a Network Control Service contract (issue 7).

4.11.1. Subject to clause 4.11.7, the IMO must apply the following principles in assigning a quantity of Certified Reserve Capacity to a Facility for the Reserve Capacity Cycle ~~to for which the an~~ application for Certified Reserve Capacity has been submitted in accordance with section 4.10 ~~relates~~:

- (a) subject to clause 4.11.2, the Certified Reserve Capacity for a Facility for a Reserve Capacity Cycle is not to exceed the IMO's reasonable expectation as to the amount of capacity likely to be available and able to be dispatched by System Management from that Facility, after netting off capacity required to serve Intermittent Loads, embedded loads and Parasitic Loads, at daily peak demand times for Peak Trading Intervals on Business Days in the period from the:
- (b) where the Facility is a generation system (other than an Intermittent Generator), the Certified Reserve Capacity must not exceed the sum of the capacities specified in clauses 4.10.1(e)(ii) and 4.10.1(e)(iii), and must not exceed the unconstrained level of network access as provided in 4.10.1(bA);
- ...
- (d) ~~[Blank] the IMO must assign Certified Reserve Capacity for Intermittent Generators that are already operating equal to the Relevant Level determined in accordance with clause 4.11.3A but subject to (b), (c), (f), (g), (h) and (i).~~

- (e) ~~[Blank] the IMO must assign Certified Reserve Capacity to an Intermittent Generator that is yet to commence operation based on:~~
- ~~i. the Certified Reserve Capacity estimate contained in any report provided by the applicant in accordance with clause 4.10.3, where:~~
- ~~1. the report was produced by an expert accredited by the IMO in accordance with clause 4.11.6; and~~
 - ~~2. the estimate reflects what the expert considers the Certified Reserve Capacity of the Facility would have been for the purposes of clause 4.11.2(b) had a history of performance been available.~~
- ...
- (g) in respect of a Facility that will be subject to a Network Control Service contract, the IMO must not assign Certified Reserve Capacity in excess of the capacity that the IMO believes that Facility can usefully contribute given its location and any ~~transmission-network~~ constraints that are likely to occur;
- ...

The following change to section 4.11 will ensure that Certified Reserve Capacity can only be assigned to a Facility for which an application has been submitted in accordance with section 4.10, as proposed in the discussion of Issue 2.

4.11.2. Where an applicant submits an application for Certified Reserve Capacity, in accordance with section 4.10, and nominates under clause 4.10.1(i) to have the IMO use the methodology described in clause 4.11.2(b) to apply to a Scheduled Generator or a Non-Scheduled Generator, the IMO:

...

The following amendment will clarify that the IMO can reject the expert report for Intermittent Generation Facilities that have yet to enter service in assigning Certified Reserve Capacity, as proposed in the discussion of Issue 6. The ability to reject an expert report will be a Reviewable Decision which will be incorporated as part of RC_2010_25. Further details around the ability of the IMO to reject an expert report will be included in the Certification of Reserve Capacity Market Procedure.

4.11.3A. The Relevant Level in respect of a Facility at a point in time is determined by the IMO following these steps:

...

- (c) If the Generator has not entered service, or if it entered service during the period referred to in step (a), estimate the amount of electricity (in MWh) that would have been sent out by the facility, had it been in service, for all Trading Intervals occurring during the period referred to in (a) which are prior to it entering service. The IMO must use the estimates included in the expert report provided in accordance with

clause 4.10.3, unless it reasonably believes the report to be inaccurate;
and

The following amendment updates a reference in relation to the provision of network access information, in line with the changes proposed in the discussion of Issue 5.

- 4.11.5. In assigning Certified Reserve Capacity to a Facility, the IMO may:
- (a) require Network Operators to confirm that the data and information related to clause 4.10.1(bA)~~(e)(i)~~ provided to the IMO by or on behalf of an applicant for Certified Reserve Capacity is complete, accurate and up to date; and

...

The following new clause will require the IMO to review any information relating to a Facility, provided by a Market Participant, which has changed since that Facility was granted Certified Reserve Capacity and will allow the IMO to determine whether the changes require the IMO to reassess the assignment of Certified Reserve Capacity for that Facility, as proposed in the discussion of Issue 11.

- 4.11.10. Upon the receipt of advice provided in accordance with clause 4.10.4 for a Facility that has already been assigned Capacity Credits for the relevant Capacity Year, the IMO must review the information provided and decide whether it is necessary for the IMO to reassess the assignment of Certified Reserve Capacity to the Facility. If this information would have resulted in the IMO assigning a lower, non-zero level of Certified Reserve Capacity the IMO must reduce the Capacity Credits assigned to that Facility accordingly and must advise the Market Participant within 90 days of receiving the submission.

The following changes will clarify the timing of the assignment of Capacity Credits to Facilities and the publication of this information, as proposed in the discussion of Issue 1. Some punctuation is also corrected.

- 4.15.1. If the information provided under clauses 4.14 and 4.28C indicates that no Certified Reserve Capacity is to be made available in the Reserve Capacity Auction for a Reserve Capacity Cycle, or, based on the information received under clause 4.14, the IMO considers that the Reserve Capacity Requirement for the Reserve Capacity Cycle will be met without an auction, then, by the date and time specified in clause 4.1.16, the IMO must publish a notice specifying for that Reserve Capacity Cycle:

...

- (cA) the Capacity Credits assigned, by Facility, under clause 4.28C;

...

- ~~4.20.1. Each Market Participant~~ If the IMO holds a Reserve Capacity Auction in any year, each Market Participant that has a Reserve Capacity Offer scheduled under clause 4.19.4 must, by the date and time specified in clause 4.1.20, notify the IMO of:

- (a) the total number of Capacity Credits that it will provide from each of its Facility-Facilities will provide during the Capacity Year commencing on 1 October of Year 3 of the Reserve Capacity Cycle. The information provided must be consistent with the requirements of paragraph (c) and (e); and
- (b) the number of those Capacity Credits the Market Participant anticipates will be acquired by the IMO. has acquired as a result of the Reserve Capacity Auction, subject to The information provided must be consistent with the requirements of paragraph (d) and (ee);
- ...
- (d) the total number of Capacity Credits which the Market Participant anticipates will be acquired by the IMO from the Market Participant must be consistent with
 - i. the quantity of Certified Reserve Capacity held by that Market Participant and scheduled by the IMO in the Reserve Capacity Auction, as published in accordance with clause 4.19.5(b);
 - ii. the quantity of Certified Reserve Capacity held by the Market Participant which remains the subject of pre-existing Long Term Special Price Arrangements and which the Market Participant intends not to trade bilaterally; and
 - iii. plus the quantity of Certified Reserve Capacity held by the Market Participant for Facilities to be subject to Network Control Service Contracts except where these are to be traded bilaterally as defined in clause 4.14.2; ~~and~~
- ...

4.20.5A Where a Reserve Capacity Auction is:

- (a) cancelled under clause 4.15.1 the IMO must assign Capacity Credits to each Facility included in a notification under clause 4.14.9. The quantity of Capacity Credits assigned will equal the quantity in the notification. The IMO must publish the Capacity Credits assigned, by Facility, by the date and time specified in clause 4.1.16.
- (b) not cancelled under clause 4.15.1 the IMO must assign Capacity Credits:
 - i. to each Facility for which a Market Participant lodged a notification under clause 4.20.1(a). The quantity of Capacity Credits assigned will equal the quantity notified under that clause and confirmed by the IMO under clause 4.20.2; and
 - ii. to each Facility included in a notification under clause 4.14.9. The quantity of Capacity Credits assigned will equal the quantity notified under that clause, as may be amended by a notification given under clause 4.20.1 and confirmed by the IMO under clause 4.20.2.

The IMO must publish the Capacity Credits assigned, by Facility, by the date and time specified in clause 4.1.21A; and

(c) not cancelled under clause 4.15.1 and the IMO receives no notification under clause 4.20.1 from a Market Participant, the IMO must not assign Capacity Credits to that Market Participant.

4.27.10. Subject to clauses 4.27.11C and 4.27.10A, Market Participants holding Capacity Credits for Facilities that are yet to commence operation must file a report on progress with the IMO at least once every three months from the date the Capacity Credits are ~~is~~ confirmed under clause 4.20.5A.

The following change will remove the IMO's obligation to repeatedly reject progress reports for a Facility that will commence operation late, as proposed in the discussion of Issue 12.

4.27.11A On receiving the report described in clause 4.27.10 or clause 4.27.10A, the IMO must conduct an assessment and approve or not approve the current nominations for each date provided in accordance with clause 4.27.11 where the current nomination differs from the previous nomination and would result in a change to the date from which Reserve Capacity Obligations apply for that Facility. ~~The IMO must not approve a nomination for a date which would have prevented the IMO from assigning Certified Reserve Capacity to a Facility.~~

The following changes will remove the erroneous references to Registered Facilities, as proposed in the discussion of Issue 8.

4.28C.1. This section 4.28C is applicable to ~~Registered~~ Facilities to which the following conditions apply:

...

4.28C.2 A Market Participant with a ~~Registered~~ Facility that meets the criteria in 4.28C.1 may apply to the IMO, at any time ~~between the date when the Facility was registered under Chapter 2 and~~ before 1 January of Year 1 of the Capacity Cycle to which the application relates, for certification of Capacity and Capacity Credits for that Facility ("Early Certified Reserve Capacity").

The following change will allow the IMO to publish the level of Certified Reserve Capacity assigned to each Facility, as proposed in the discussion of Issue 10.

10.5.1 The IMO must set the class of confidentiality status for the following information under clause 10.2.1, as Public and the IMO must make each item of information available from the Market Web-Site after that item of information becomes available to the IMO:

...

(f) the following Reserve Capacity information (if applicable):

...

iiiA. for each Market Participant that was assigned Certified Reserve Capacity, the level of Certified Reserve Capacity assigned to each Facility for each Reserve Capacity Cycle;

...

The following changes will change the phrase "Access Contract" to "Access Proposals" as proposed in the discussion of Issue 4.

(In Glossary)

Access Proposal Offer: Has the meaning given in clause 4.2.7(b)(ii)(1).

APPENDIX 3: THE IMO'S RESPONSE TO SUBMISSIONS RECEIVED DURING THE FIRST SUBMISSION PERIOD.

The IMO's response to the issues raised in submissions received during the first submission period is contained in the following table.

Section	Submitter	Comment / Change Requested	IMO Response
4.1.10	Alinta	While the proposed Amending Rules will reduce the time between the release and publication of the Reserve Capacity Information Pack from 14 to 7 Business Days, it is unclear why there should be a delay in any event. Alinta suggests that further amendments be made so that the Reserve Capacity Information Pack is published on the Market Web Site by 5pm on the first Business Day falling on or following 17 June.	<p>The IMO agrees that there is no need for a delay between the release and publication of the Reserve Capacity Information Pack. However, as these steps now fall on the same day the IMO considers that retaining both steps is an unnecessary duplication of work. Therefore the IMO has removed the step releasing the information pack (clause 4.1.9), retaining just the publication step - albeit with the new date of 17 June (clause 4.1.10). As a result of this, clause 4.7.1 has also been deleted.</p> <p>The additional amendments are presented in Appendix 3 of this report.</p>
4.9.3	Alinta	<p>Alinta notes that the stated intent of the proposed amendment to clause 4.9.3(c) is to require a Market Participant to pay a fee to the IMO where the IMO reassesses the assignment of Certified Reserve Capacity to the Facility under the new proposed clause 4.11.10 based on information provided to the IMO under the new proposed clause 4.10.4.</p> <p>However, Alinta considers that the proposed amendment to clause 4.9.3(c) would be ineffective because the Market Participant is not applying for a reassessment of the assignment of Certified Reserve Capacity. Rather, the decision of whether or not to reassess the assignment of Certified Reserve Capacity to the Facility rests with the IMO.</p>	<p>The IMO has removed the proposed amendment from clause 4.9.3(c) and proposed a new clause 4.11.11. The new clause 4.11.11 will require a Market Participant to pay a fee to the IMO where the IMO reassesses the assignment of Certified Reserve Capacity to the Facility under the new proposed clause 4.11.10, based on information provided to the IMO under the new proposed clause 4.10.4. As a result, consequential amendments have been made to clauses 2.24.1 and 2.24.2 and a new defined term "Reassessment Fee" has been added to the glossary</p> <p>The additional amendments are presented in Appendix 3 of this report.</p>
4.10.4	Alinta	RC_2010_14 would amend the Market Rules so that under proposed new clause 4.10.4 a Market Participant would be required to advise the IMO if	The IMO notes Alinta's view that this requirement may be onerous. However the IMO considers that there is currently the potential for Market Participants to not disclose important information and change key aspects

Section	Submitter	Comment / Change Requested	IMO Response
		<p>any of the details provided by it in an application for Certified Reserve Capacity for a Facility had changed.</p> <p>Alinta notes that following RC_2010_14, the amended Market Rules would appear to provide for the information provided under the proposed new clause 4.10.4 to be used by the IMO only in determining whether or not to reassess the assignment of Certified Reserve Capacity to the Facility under the proposed new clause 4.11.10.</p> <p>Alinta considers that the proposed new clause 4.10.4 should be further amended to require a Market Participant to advise the IMO only if the details provided in its application for Certified Reserve Capacity of a Facility changed and those changes could reasonably be expected to affect the level of Certified Reserve Capacity assigned to the Facility.</p> <p>In its submission Alinta provides alternate drafting for consideration.</p>	<p>of a Facility after being certified with no recourse. The IMO considers that it needs more visibility of the potential changes rather than leaving the decision to determine what will affect Certified Reserve Capacity up to the participant.</p> <p>However, the IMO considers that it is reasonable to restrict clause 4.10.4 to new Facilities that have yet to commence operation and Facilities that are undergoing significant maintenance, rather than all Facilities. This is because the IMO considers that it receives sufficient updated information from existing Facilities through the annual certification process.</p> <p>The additional amendments are presented in Appendix 3 of this report.</p> <p>Additionally, the IMO will include, in its Market Procedure for the Certification for Reserve Capacity, the guidelines on the types of changes that may warrant reassessment, noting that it is difficult to capture all scenarios due to the complexity and broad spectrum of developments. This will be developed in conjunction with the IMO Procedure Change and Development Working Group.</p>
4.10.4	Alinta	<p>The effect of this clause would appear to enable a developer of any type of Facility to provide a report that it intended to only construct part of the proposed Facility. In this situation it would appear that following the changes to the Market Rules contemplated by RC_2010_14, the Facility would no longer be exposed to refunds as there would no longer be any MW shortfall relative to the revised quantity of Capacity Credits associated with the Facility.</p>	<p>The IMO agrees that, in the scenario described by Alinta, a Facility would no longer be exposed to refunds as there would no longer be any MW shortfall relative to the revised quantity of Capacity Credits associated with the Facility. However, the amendments proposed by RC_2010_14 will also ensure that the Market Participant is not being paid for capacity it is not providing.</p> <p>This is consistent with the concept of Reserve Capacity Refunds being a “zero sum game”. The IMO contends that the proposed changes would minimise the distortions that currently exist where a Market Participant is required to pay refunds on a partially built Facility (of approximately 100% of Capacity payments by the end of summer) before it has its Capacity Credits reduced due to Reserve Capacity Testing (normally at the end of</p>

Section	Submitter	Comment / Change Requested	IMO Response
			<p>Hot Season).</p> <p>This “refund before reduction” practice, which currently exists, exposes partially built generators to refund 100% (approx) of payments associated with the undeveloped (or de-rated) portion of a Facility while only being paid for approximately 50% (this being the time from 1 October to the end of the Hot Season when Capacity Credits are reduced through Reserve Capacity testing). However, noting this, the financial outcomes could be vary depending on when the IMO chooses to test a Facility i.e. the IMO can test at any time between 1 October and 31 March.</p> <p>The IMO considers that the proposed changes fix the anomalous refund outcomes which occur when a facility is most likely destined to fail a Reserve Capacity test during – or at the very latest by the end of - the Hot Season.</p> <p>In assessing the proposed amendment to allow it to assign a lower level of Certified Reserve Capacity after it has notified a Market Participant of the Certified Reserve Capacity to be assigned under clause 4.1.12. the IMO has had to balance the pros and cons of ascertaining the “true” level of capacity available in the market (in a timely manner) versus the underlying premise of the RCM being a firm mechanism.</p> <p>On balance, the IMO considers that the ability to assign Capacity Credits based on the most up to date and correct information, reflecting the actual capabilities of Facilities will enhance the certainty regarding the amount of Reserve Capacity available in the SWIS and retains the link to the physical basis of Capacity Credits. This will enable the IMO to address any potential shortfall issues in a timely and efficient manner.</p> <p>The IMO also notes that risks associated with non delivery of Capacity Credits assigned at the time of bilateral trade declarations or the Reserve Capacity Auction, such as the loss of Reserve Capacity Security, will still be borne by the project developer.</p>

Section	Submitter	Comment / Change Requested	IMO Response
4.11.1	Alinta	<p>In part, RC_2010_14 would amend clause 4.11.1(a) so that in addition to the IMO's reasonable expectation as to the amount of capacity likely to be available, the Certified Reserve Capacity for a Facility for a Reserve Capacity Cycle is not to exceed its expectation of the amount of capacity able to be dispatched by System Management.</p> <p>The purpose for the amendment to clause 4.11.1(a) proposed by RC_2010_14 is unclear. While the notes preceding the proposed amending rules indicate that the amendments are to link the level of Certified Reserve Capacity to the unconstrained level of network access, and this wording is used in the proposed amended clause 4.11.1(b), no other reference is made to System Management's ability to dispatch a Facility in setting the Certified Reserve Capacity level.</p> <p>Alinta requests that the IMO provide further clarification of this proposed amendment.</p>	<p>The IMO has amended 4.11.1(a) to clarify that this applies to a Scheduled Generator, not a Facility and has also removed "and be able to be dispatched by System Management".</p> <p>The additional amendments are presented in Appendix 3 of this report.</p>
4.11.3A	Alinta	<p>RC_2010_14 would amend clause 4.11.3A of the current Market Rules to allow the IMO to ignore estimates in a report provided to it under clause 4.10.3 where it 'reasonably' believes that the report is inaccurate.</p> <p>While supporting the intent of the amendment, Alinta suggests that the amendment should focus instead on the basis on which the IMO might reasonably conclude that the report is inaccurate, which appear to be that either the information is inaccurate or that the methodology is not consistent with the Market Rules.</p> <p>In its submission Alinta provides alternate drafting</p>	<p>The IMO agrees with Alinta's comment. The IMO has not amended the drafting exactly as Alinta suggest, however, the IMO considers that its proposal achieves the same effect.</p> <p>The additional amendments are presented in Appendix 3 of this report.</p>

Section	Submitter	Comment / Change Requested	IMO Response
		for consideration.	
4.11.10	Alinta	<p>Alinta does not support the Market Rules being amended to allow the IMO to assign a lower (non-zero) level of Certified Reserve Capacity after it has notified a Market Participant of the Certified Reserve Capacity to be assigned under (the amended) clause 4.1.12.</p> <p>The likely effect of the proposed new clause 4.11.10 is to undermine the strong financial incentives that currently exist in the Market Rules for project developers to ensure that capacity is made available to the market ahead of the summer period when demand reaches system peaks. If capacity expected to be available is not delivered, there is a risk that the security and reliability of the power system over the summer period may be adversely affected.</p>	<p>The IMO notes that the primary role of the Reserve Capacity Mechanism is to ensure that there is adequate generation and Demand Side management capacity available to meet system peak demand plus a reserve margin.</p> <p>The IMO acknowledges that there is a complex trade off between retaining the financial incentives for project developers to ensure that capacity is made available to the market ahead of the summer period and certainty regarding the true level of capacity available in the market (in a timely manner). The IMO notes that there are existing mechanisms (within the Capacity Year) to ascertain the true levels of capacity available, for example:</p> <ul style="list-style-type: none"> • following a Reserve Capacity test (clause 4.25.4); or • as a result of an application from a Market Participant to reduce its Capacity Credits (clause 4.25.4A). <p>The financial outcome with respect to refunds will depend on the application of other mechanisms that may reduce Capacity Credits (particularly Reserve Capacity Testing). Specifically:</p> <ul style="list-style-type: none"> • If reduction exists due to testing, the financial outcome will vary significantly based on the timing of the reduction due to failed tests – which is at the discretion of the IMO. <ul style="list-style-type: none"> ○ If facility is tested towards February/March, its refunds in relation to the undelivered capacity will be higher than the capacity payments (assuming payment at market price) to the point where the Capacity Credits are reduced following a failed test. ○ If facility is tested earlier, its capacity payments up to the point of Capacity Credit reduction due to a failed test will exceed the refunds paid to that point.

Section	Submitter	Comment / Change Requested	IMO Response
			<p>The IMO notes that the Reserve Capacity Mechanism is designed to be a firm mechanism, however there is currently the potential for Market Participants to not disclose important information and change key aspects of a Facility after being certified with no recourse. For example, a proponent could replace a diesel generator with a wind farm after its initial certification.</p> <p>In assessing the proposed amendment to allow it to assign a lower level of Certified Reserve Capacity after it has notified a Market Participant of the Certified Reserve Capacity to be assigned under clause 4.1.12. the IMO has had to balance the pros and cons of ascertaining the “true” level of capacity available in the market (in a timely manner) versus the underlying premise of the RCM being a firm mechanism.</p> <p>On balance, the IMO considers that the ability to assign Capacity Credits based on the most up to date and correct information, reflecting the actual capabilities of Facilities will enhance the certainty regarding the amount of Reserve Capacity available in the SWIS and retains the link to the physical basis of Capacity Credits. This will enable the IMO to address any potential shortfall issues in a timely and efficient manner.</p> <p>The IMO notes that risks associated with non delivery of Capacity Credits assigned at the time of bilateral trade declarations or the Reserve Capacity Auction, such as the loss of Reserve Capacity Security, will still be borne by the project developer.</p>
4.11.10	Alinta	<p>The proposed new clause would be inconsistent with the Market Objectives as it would:</p> <ul style="list-style-type: none"> • undermine the economically efficient, safe and reliable production and supply of electricity related services in the SWIS; • distort competition among generators in the SWIS, including by facilitating inefficient entry 	<p>The IMO considers that this clause improves Market Objective (a). In obtaining advice on any subsequent changes to a Facility the IMO will be able to adjust Capacity Credits based on the most up to date and correct information. Reflecting the actual capabilities of Facilities will enhance the certainty regarding the amount of Reserve Capacity available in the SWIS. This will enable the IMO to address any potential shortfall issues in a timely manner and thus allow the market objectives to better address market objective (a). By not making these amendments the IMO considers that the market will not be aware of the amount of true capacity</p>

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		<p>of new competitors; and</p> <ul style="list-style-type: none"> discriminate against particular energy options and technologies. <p>Specifically, the effect of the proposed new clause 4.11.10 would be to transfer commercial, technical, construction and commissioning risk from developers proposing new Facilities of Market Customers generally. This is because it would facilitate project developers changing the capacity to be made available by a proposed Facility due to changes in commercial and technical circumstances following the IMO's notification of the Certified Reserve Capacity to be assigned under clause 4.1.12 and provided by Market Participants under clause 4.20.1(a)</p>	<p>available to it (until the Facility testing process).</p> <p>The IMO considers that the proposal is consistent with Wholesale market Objectives (b) and (c).</p> <p>The IMO considers that there is no transference of risk in case of merchant plant, as:</p> <ul style="list-style-type: none"> Market Customers pay less capacity payment (either through a reduction of the Shared Reserve Capacity Cost (clause 4.28.4 (a)) or the Targeted Reserve Capacity Cost (clause 4.28.11A)); No refunds are paid to Market Customers for non-delivered capacity; and The Reserve Capacity Security is forfeited and either used to fund SRC or returned to Market Customers. <p>The IMO acknowledges that a Market Customer who has bilaterally contracted for the undelivered capacity may be exposed to increased capacity pricing risk for a short period of time (up to when the Facility has been tested) in having to purchase capacity through the IMO to replace the undelivered capacity.</p> <p>Refer to the response above and the response to Alinta's submission on clause 4.10.4.</p>
4.11.10	Alinta	Irrespective of the reason that a Facility is not constructed in accordance with the basis on which it applied for, and was granted, Certified Reserve Capacity, Alinta considers that these risks should be borne by the project developer as it is best placed to manage and mitigate such risks.	The IMO notes that risks associated with non delivery of Capacity Credits assigned at the time of bilateral trade declarations or the Reserve Capacity Auction, such as the loss of Reserve Capacity Security, will still be borne by the project developer irrespective of whether the facility has had its level of CRC reduced under clause 4.11.10.
4.11.10	Alinta	If implemented as proposed, and in situations where the amount of Certified Reserve Capacity assigned by the IMO, and subsequently provided	Under the changes proposed in RC_2010_14 there is potentially an adjustment to the amount of Capacity Credits assigned to Market Participants. Under the current Reserve Capacity Mechanism design

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		<p>by Market Participants, exceeds the Reserve Capacity required, then the proposal would also need to include a re-adjustment of the capacity price for the affected Capacity Year (s).</p>	<p>there would be no subsequent adjustment to the price for Capacity Credits to reflect the new amount of capacity in the market.</p> <p>The IMO notes that there are a number of situations under which the Capacity Credits assigned to a Facility may change (both conceptually and in practice) and as such it is appropriate to consider the concept of adjusting the Reserve Capacity Price in response to all of these situations rather than simply if there is a reduction in a Facility's Capacity Credits to zero.</p> <p>The IMO considers that consistency of treatment should be ensured with regard to potential changes to the Reserve Capacity Price, unless there is a clear rationale to treat the circumstances for a change in the number of Capacity Credits differently. As such any adjustment of the Reserve Capacity Price should take into account the following incidences:</p> <p>Reduction in Capacity Credits:</p> <ul style="list-style-type: none"> • following a Reserve Capacity test (clause 4.25.4); • as a result of an application from a Market Participant to reduce its Capacity Credits (clause 4.25.4A); • as a result of the IMO's decision under any proposed Amending Rules resulting from PRC_2010_28 (i.e. for a Facility that the IMO considers will not be available for the entire Capacity Year); or • as a result of a reassessment by the IMO under proposed clause 4.11.10. <p>Increase in Capacity Credits²:</p> <ul style="list-style-type: none"> • following early entry of a generator (clauses 4.1.26 and 4.11.1); or • following entry of a new small generator (clause 4.28B). <p>The IMO considers that adjusting the price for capacity under the current market design would be unlikely to result in a better allocation of</p>

² An increase in the number of Capacity Credits in the market can only occur prior to the start of the Capacity Year.

Section	Submitter	Comment / Change Requested	IMO Response
			resources as a Market Generator could not make a timely response to the price signals provided by the updated capacity price. Further, the IMO considers that the likely costs associated with developing a mechanism in the WEM to allow to Market Participants to respond to price changes, such as the development of a short term capacity trading market, would significantly outweigh the benefits to the market ³ .
4.27.11A & 4.1.26(c)	Alinta	<p>Clauses 4.27.10 and 4.27.10A require Market Participants holding Capacity Credits for Facilities that are yet to commence operation to file periodic progress reports to the IMO. Clause 4.27.11A requires the IMO to approve or not approve nominations for the key project dates specified in clause 4.10.1(c)(iii).</p> <p>It appears unlikely that these key project dates, including for example when financing will be finalised and when generating equipment will be installed, would be affected by the IMO's decision to approve or not approve them. Consequently, the purpose under clause 4.27.11A of the current Market Rules requiring the IMO to approve or not approve these dates, or any changes in these dates, is unclear.</p> <p>Alinta notes that while Market Participants may choose for their Reserve Capacity Obligation to commence earlier than the start of Year 3 of the Reserve Capacity Cycle, participants cannot delay the commencement of their Reserve Capacity Obligation to a date after the start of Year 3 of the Reserve Capacity Cycle.</p> <p>For this reason, while the information provided by Market Participants under clauses 4.27.10 and</p>	<p>The IMO notes Alinta's comments that it appears unlikely that some of the key project dates, including for example when financing will be finalised and when generating equipment will be installed, would be affected by the IMO's decision to approve or not approve a progress report. However, the IMO also considers that the information provided by Market Participants under clause 4.27.10 is still necessary and very important in ensuring that the IMO is fully informed about the status of proposed Facilities. This information assists the IMO in forming a decision on how a project is tracking.</p> <p>Additionally, the IMO considers that it should still be able to reject a key project date on the grounds that System Management does not consider that a proposed timeline can be met (for example when commissioning is likely to start/end).</p> <p>The IMO has amended the clauses from 4.27.10 through to 4.27.11D to:</p> <ul style="list-style-type: none"> • Remove the approval process in years 1 and 2 of the Reserve Capacity Cycle; and • Clarify the approval process in year 3 of the Reserve Capacity Cycle. <p>In addition to this the IMO has added the term "Key Project Dates" to the glossary. As a result of these changes the IMO has made some consequential amendments to clauses 4.10.1(c) and 4.1.26.</p> <p>The IMO reiterates that, although it is amending its role in approving the Key Project Dates, the information provided by Market Participants under clause 4.27.10 is still necessary to ensure the IMO is fully informed about</p>

³ This information was presented to MAC as part of a discussion on RC_2010_28: Cancellation of Capacity Credits and was supported, see www.imowa.com.au/MAC_35

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		<p>4.27.10A of the current Market Rules might be necessary to ensure the IMO is fully informed about the status of proposed Facilities, the need and purpose for the IMO approving or not approving any changes to the date the Market Participant expects to commence operation under clause 4.27.11A is questionable.</p> <p>Consequently, Alinta suggests that instead of amending clause 4.27.11A as proposed by RC_2010_14, this clause should instead be deleted.</p> <p>Deletion of clause 4.27.11A would require that clause 4.1.26(c)(ii) be amended, as this clause refers to the date specified in accordance with 4.10.1(c)(iii)(7), or revised in accordance with clauses 4.27.10 and 4.27.10A.</p> <p>In its submission Alinta provides alternate drafting for consideration.</p>	<p>the status of proposed Facilities.</p> <p>The additional amendments are presented in Appendix 3 of this report.</p>
4.1.11(b)	Perth Energy	<p>Perth Energy particularly welcomes the proposed increased flexibility in the Reserve Capacity Mechanism timeline noting that the timeline is more reasonable. However, Perth Energy notes that the new cut off for applications (1 July) is not opportune as it coincides with the increased work load of the end of financial year.</p>	<p>The IMO notes Perth Energy's concern that 1 July coincides with the increased workload at the end of a financial year. However, applicants still have from on the first business day on or following 1 May to submit their applications for Certified Reserve Capacity.</p> <p>The IMO has not amended the proposal as it considers that a two month period is sufficient. Additionally, the IMO welcomes applications earlier than 1 July.</p>
4.10.1bA(i)	Perth Energy	<p>Perth Energy would welcome further clarification on this clause. Specifically, the last two lines which require Market Participants to provide evidence of an Arrangement for Access "including the level of unconstrained access and details of any constraints that may apply". Perth Energy consider this should be narrowed to only apply to constraints that may</p>	<p>The IMO notes that clause 4.10.1(bA)(i) relates to information to be provided to the IMO by a Market Participant. The IMO uses this information in its assessment of the capacity "likely to be available" for the Facility under clause 4.11.1(a). The IMO contends that any constraints or runback schemes detailed in the Arrangement for Access would be relevant in this assessment. Temporary constraints related to an irregular outage of a related Facility would not be considered in the assessment.</p>

Section	Submitter	Comment / Change Requested	IMO Response
		apply at the point of connection and/or constraints that may apply at the time the Arrangement for Access was entered into. Perth Energy identifies that the South West interconnected network may become more constrained over time leading to System Management or another Network Operator placing temporary constraints on/or requesting parties to generate at a particular level that may be different to the conditions of the original Arrangement for Access. Perth Energy sees that this should not impact on its Certified Reserve Capacity.	The IMO also notes that the WEM and the Market Rules are predominantly based on the presumption of an unconstrained network model. Any future decision to move to a constrained network model would require significant redesign of the Market Rules and has not been considered at this time.
4.10.2 (out of session submission)	Perth Energy	Perth Energy notes that it agrees with the cutting of the fuel storage requirement from 14 to 12 hours but asks that dual fuel Facilities be accorded more flexibility in nominating which fuel to store and in what proportion. Perth Energy also asks the IMO to find ways to increase incentives for dual fuel Facilities.	The IMO notes that the proposed amendments to clause 4.10.2 are to clarify that dual-fuelled Facilities must be able to operate for 12 hours at the requested level of Certified Reserve Capacity. The suggestion for dual fuel Facilities being accorded greater flexibility in the type and proportion of fuel to store is out of scope for this Rule Change Proposal. Note, the IMO is awaiting the outcomes of the Office of Energy (OoE) fuel security review, following the Gas Supply Emergency Management Committee process. The OoE review includes identifying potential incentives for dual fuel Facilities.
4.11.10	Perth Energy	Perth Energy queries whether the IMO would release any more detailed guidelines on what types of changes the IMO considers significant enough to warrant reassessment. Perth Energy notes that it would be counterproductive for both Market Participants and the IMO to spend time and resources on reassessing applications where only minor and irrelevant changes have been made.	The IMO will include, in its Market Procedure for the Certification for Reserve Capacity, the guidelines on the types of changes that may warrant reassessment, noting that it is difficult to capture all scenarios due to the complexity and broad spectrum of developments. This will be developed in conjunction with the IMO Procedure Change and Development Working Group.
4.11.10	LGP	LGP considers that the proposed solution to issue 11 (changes to Facility design) should have proper	See above response.

Section	Submitter	Comment / Change Requested	IMO Response
		regard to the materiality of the change and exercise reasonableness in its acceptance; conditional on a Facility delivering the contracted Certified Capacity, the IMO should be flexible in accepting the change and avoid imposing unnecessary costs or constraints.	
4.9.9A	Synergy	Synergy considers that there may be risk that publication of the quantity of Certified Reserve Capacity assigned to each Facility could encourage participants to force a Reserve Capacity Auction and potentially a higher Reserve Capacity Price if the level of Certified Reserve Capacity bilaterally traded fails to reach the Reserve Capacity Requirement. Nevertheless, Synergy supports this change as it brings greater transparency to the market which should improve the overall market efficiency.	<p>In general, for efficient markets, more information is always better than less (unless the information is commercially or legally sensitive), and all participants should have access to unbiased information on which they base their decisions.</p> <p>In reviewing Synergy's submission the IMO has assessed three scenarios comparing the quantity of Certified Reserve Capacity to the Reserve Capacity Requirement.</p> <ul style="list-style-type: none"> • If the amount of Certified Reserve Capacity is greater than the Reserve Capacity Requirement by a large amount, it is possible that a Market Participant may choose to withdraw its capacity based on a price response. However, the IMO considers that it is unlikely that this will lead to an auction. • If the amount of Certified Reserve Capacity is greater than the Reserve Capacity Requirement by a small amount a facility smaller than (CRC-RCR) is likely to not risk not being cleared in an auction so would probably bilaterally trade. However, a larger facility (larger than (CRC-RCR) could force an auction on its own and guarantee that it is cleared. The pricing outcome would depend on how much the level of Certified Reserve Capacity exceeds the Reserve Capacity Requirement and thus who goes for the auction and their motives (lower vs higher capacity price); and • If the amount of Certified Reserve Capacity is less than or equal to the RCR, it is not likely that capacity would be withdrawn, and an auction would definitely be run. In this situation, participants may have earlier warning of an auction than under the status quo. <p>Therefore, upon further reflection, the IMO considers that although there</p>

Section	Submitter	Comment / Change Requested	IMO Response
			<p>could be benefits in providing this additional information there is also a clear potential for gaming, and in particular by forcing a Reserve Capacity Auction which may not otherwise have taken place (which could lead to either a higher or lower price). Therefore the IMO has decided to remove the proposed new clause 4.9.9A from the proposed amendments; as a result, the proposed amendments to clause 10.5.1 have been revoked.</p> <p>The additional amendments are presented in Appendix 3 of this report.</p> <p>The IMO notes that this should be considered as part of the Reserve Capacity Mechanism review.</p>

APPENDIX 4: ADDITIONAL AMENDMENTS MADE BY THE IMO FOLLOWING THE FIRST SUBMISSION PERIOD.

The IMO has made some amendments to the Amending Rules following the first submission period. These changes are as follows (~~deleted text~~, added text):

Clauses 2.24.1 and 2.24.2 have been amended to include the new defined term “Reassessment Fee”, a fee to cover the cost of the IMO undertaking a reassessment under new clause 4.11.11. Clause 2.24.2 reflects the amendments included in the Final Rule Change Report for RC_2010_20 (to commence 1 May 2011).

- 2.24.1. The fees charged by the IMO are:
- (a) Market Fees, System Operation Fees and Regulator Fees determined in accordance with clause 2.24.2; ~~and~~
 - (b) Application Fees described in clauses 2.33.1(a), 2.33.2(a), 2.33.3(a), 2.33.4(a), 2.33.5(a), and 4.9.3(c); ~~and~~
 - (c) A Reassessment Fee described in clause 4.11.11.
- 2.24.2. Before 30 June each year, the IMO must determine and publish the level of the Market Fee rate, System Operation Fee rate and Regulator Fee rate, ~~and~~ the level of each of the Application Fees, and the level of the Reassessment Fee to apply over the year starting 1 July. Where:

...

The amendments to clauses 4.1.9 and 4.1.10 remove the step releasing the information pack (deletion of clause 4.1.9), retaining just the publication step (albeit with the new date of 17 June). A consequential amendment to clause 4.7.1 is also required as a result of deleting clause 4.1.9.

- 4.1.9. ~~The IMO must release the Reserve Capacity Information Pack in accordance with clause 4.7.1 by 5 PM of the first Business Day falling on or following 17 June of Year 1 of the relevant Reserve Capacity Cycle. [BLANK]~~
- 4.1.10. The IMO must publish on the Market Web Site the Reserve Capacity Information Pack in accordance with clause 4.7.2 by 5 PM of the first Business Day falling on or following 17 June ~~24 June~~ of Year 1 of the relevant Reserve Capacity Cycle.

The IMO has made a typographical amendment to clause 4.1.17(b).

- 4.1.17. If a Reserve Capacity Auction proceeds, then the IMO must accept submission of Reserve Capacity Offers from Market Participants in accordance with clause 4.17.2:
- (a) from 9 AM of the first Business Day falling on or following:
 - i. 20 September 2005 of Year 1, in the case of the first Reserve Capacity Cycle;

- ii. 20 August of Year 1, in the case of subsequent Reserve Capacity Cycles up to and including 2010; and
 - iii. the second Business Day following the confirmation deadline specified in clause 4.1.15, in the case of Reserve Capacity Cycles from 2011 onwards.
- (b) until 5 PM of the last Business Day falling on or before:
- i. 29 September 2005, in the case of the first Reserve Capacity Cycle; ~~and~~
 - ii. 29 August of Year 1, in the case of subsequent Reserve Capacity Cycles up to and including 2010; and
 - iii. 14 September of Year 1, in the case of Reserve Capacity Cycles from 2011 onwards.

Clause 4.1.26(b) ii and (c) ii has been updated to refer to clause 4.27.11B (rather than 4.27.11D) to reflect the amendments to these clauses (outlined later in this section).

The amended clause 4.27.11B provides for a revision of the dates referred to in clause 4.10.1(c)(iii)(7) (if notified in a progress report), whereas the amended clause 4.27.11D outlines a requirement for a participant to provide additional information to a progress report or further progress reports (if required).

4.1.26. Reserve Capacity Obligations apply:

...

- (b) for subsequent Reserve Capacity Cycles up to and including 2009:
 - i. from the Trading Day commencing on 1 October of Year 3, for Facilities that were commissioned as at the scheduled time of the Reserve Capacity Auction for the Reserve Capacity Cycle as specified in clause 4.1.18(a) or for Facilities which have provided Capacity Credits in one or both of the two previous Reserve Capacity Cycles;
 - ii. from the Trading Day commencing on the scheduled date of commissioning, as specified in accordance with clause 4.10.1(c)(iii)(7), or as revised in accordance with clause 4.27.11A or clause 4.27.11B~~D~~, for Facilities commissioned between 1 August of Year 3 and 30 November of Year 3; and
 - iii. from the Trading Day commencing on 30 November of Year 3, for new generating systems undertaking Commissioning Tests after 30 November of Year 3; and
- (c) for subsequent Reserve Capacity Cycles from 2010 onwards:
 - i. from the Trading Day commencing on 1 October of Year 3, for Facilities that were commissioned as at the scheduled time of the Reserve Capacity Auction for the Reserve Capacity Cycle as specified in clause 4.1.18(a) or for Facilities which have

- provided Capacity Credits in one or both of the two previous Reserve Capacity Cycles;
- ii. from the Trading Day commencing on the scheduled date of commissioning, as specified in accordance with clause 4.10.1(c)(iii)(7), or as revised in accordance with clause 4.27.11A or clause 4.27.11~~BD~~, for Facilities commissioned between 1 June of Year 3 and 1 October of Year 3; and
- iii. from the Trading Day commencing on 1 October of Year 3, for new generating systems undertaking Commissioning Tests after 1 October of Year 3.

The IMO has deleted clause 4.7.1 from the Market Rules as a result of the amendments to clauses 4.1.9 and 4.1.10 (removing the release of the Reserve Capacity Information Pack step and retaining the publication of the Reserve Capacity Information Pack step).

4.7.1. ~~By the time and date specified in clause 4.1.9, the IMO must release the Reserve Capacity Information Pack for a Reserve Capacity Cycle to those who provided Expressions of Interest to the IMO in accordance with clause 4.2.6 for that Reserve Capacity Cycle. [BLANK]~~

The IMO has removed the proposed amendment from clause 4.9.3(c) (as outlined in its original Rule Change Proposal) and has instead proposed a new clause 4.11.11 (outlined later in this section). The new clause 4.11.11 will require a Market Participant to pay a fee to the IMO where the IMO reassesses the assignment of Certified Reserve Capacity to the Facility under the new proposed clause 4.11.10 based on information provided to the IMO under the new proposed clause 4.10.4.

- 4.9.3. A Market Participant applying for certification of Reserve Capacity must provide to the IMO:
- ...
- (c) in the case of an application for conditional certification for a future Reserve Capacity Cycle, ~~a reassessment of the assignment of Certified Reserve Capacity under clause 4.11.10~~, or subsequent applications for Early Certified Reserve Capacity for a Facility for the same Reserve Capacity Cycle, an Application Fee to cover the cost of processing the application.

The following change remove the new clause that was to allow the IMO to publish the level of Certified Reserve Capacity assigned to each Facility, as proposed in the discussion of Issue 10. This is because of the potential that a Market Participant could use this information to force a Reserve Capacity Auction.

4.9.9A ~~The IMO must publish, by the date and time specified in clause 4.1.12, the level of Certified Reserve Capacity assigned to each Facility.~~

Clause 4.10.1(c) has been updated to refer to the new defined term “Key Project Dates”. The “Key Project Dates” are those submitted with an application for certification of Reserve Capacity (this clause) or in the progress reports provided under clauses 4.27.10 and 4.27.11D.

4.10.1. The information to be submitted with an application for certification of Reserve Capacity must pertain to the Reserve Capacity Cycle to which the certification relates, must be supported by documented evidence and must include, where applicable, the following information:

- (a) the identity of the Facility;
- (b) the Reserve Capacity Cycle to which the application relates;
- (bA) with the exception of applications for Conditional Certified Reserve Capacity:
 - i. evidence of an Arrangement for Access or evidence that the Market Participant has accepted an Access Proposal from the relevant Network Operator made in respect of the Facility and that the Facility will be entitled to have access from a specified date occurring prior to the date specified in clause 4.10.1(c)(iii)(7), including the level of unconstrained access and details of any constraints that may apply;
 - ii. evidence that any necessary Environmental Approvals have been granted or evidence supporting the Market Participant's expectation that any necessary Environmental Approvals will be granted in time to have the Facility meet its Reserve Capacity Obligations by the date specified in clause 4.10.1(c)(iii)(7);
- (c) if the Facility, or part of the facility, is yet to enter service:
 - i. [Blank]
 - ii. [Blank]
 - iii. the Key Project Dates ~~key project dates~~ occurring after the date the request is submitted to the IMO, including, as applicable, but not limited to:
 - ...
- (dA) a description of the main components of the Facility;
 - ...

The IMO has amended clause 4.10.4 so that it only applies to a new Facility that has yet to commence operation or a Facility that is undergoing significant maintenance. The IMO has also reworded the clause for ease of understanding.

4.10.4. If a Market Participants becomes aware of any changes to the details provided to the IMO in accordance with clause 4.10 for a Facility yet to commence operation or a Facility that is undergoing significant maintenance, then the Market Participant must advise the IMO if any of the revised details as soon as

~~practicable, provided in an application for Certified Reserve Capacity for a Facility, in accordance with this section 4.10, have changed.~~

Clause 4.11.1 (a) has been clarified so that it applies to Scheduled Generators and the reference to being able to be dispatched by System Management has been removed.

4.11.1. Subject to clause 4.11.7, the IMO must apply the following principles in assigning a quantity of Certified Reserve Capacity to a Facility for the Reserve Capacity Cycle for which an application for Certified Reserve Capacity has been submitted in accordance with section 4.10:

(a) subject to clause 4.11.2, the Certified Reserve Capacity for a ~~Facility~~ Scheduled Generator for a Reserve Capacity Cycle is not to exceed the IMO's reasonable expectation as to the amount of capacity likely to be available ~~and able to be dispatched by System Management from that Facility,~~ after netting off capacity required to serve Intermittent Loads, embedded loads and Parasitic Loads, for Peak Trading Intervals on Business Days in the period from the:

- i start of December for Reserve Capacity Cycles up to and including 2009; or
- ii trading day starting on 1 October for Reserve Capacity Cycles from 2010 onwards

in Year 3 of the Reserve Capacity Cycle to the end of July in Year 4 of the Reserve Capacity Cycle, assuming an ambient temperature of 41°C;

(b) where the Facility is a generation system (other than an Intermittent Generator), the Certified Reserve Capacity must not exceed the sum of the capacities specified in clauses 4.10.1(e)(ii) and 4.10.1(e)(iii), and must not exceed the unconstrained level of network access as provided in 4.10.1(bA);

...

(d) [Blank]

(e) [Blank]

...

(g) in respect of a Facility that will be subject to a Network Control Service contract, the IMO must not assign Certified Reserve Capacity in excess of the capacity that the IMO believes that Facility can usefully contribute given its location and any network constraints that are likely to occur;

...

Clause 4.11.3A(c) has been amended to provide greater detail on why the IMO would reject an expert report.

4.11.3A. The Relevant Level in respect of a Facility at a point in time is determined by the IMO following these steps:

...

- (c) If the Generator has not entered service, or if it entered service during the period referred to in step (a), estimate the amount of electricity (in MWh) that would have been sent out by the facility, had it been in service, for all Trading Intervals occurring during the period referred to in (a) which are prior to it entering service. The IMO must use the estimates included in the expert report provided in accordance with clause 4.10.3, unless it reasonably believes that the information used to derive the estimates included in the expert report to be is inaccurate or the methodology applied is not consistent with the Market Rules; and

New clause 4.11.11 will require a Market Participant to pay a fee to the IMO where the IMO reassesses the assignment of Certified Reserve Capacity to the Facility under the new proposed clause 4.11.10 based on information provided to the IMO under the new proposed clause 4.10.4. A new defined term "Reassessment Fee" has been added to the glossary, and clauses 2.24.1 and 2.24.2 have been amended to reflect the new type of fee changed by the IMO.

4.11.11 Where the IMO reassesses the amount of Certified Reserve Capacity assigned to a Facility under clause 4.11.10 based on information provided to the IMO under clause 4.10.4 the Market Participant will pay a Reassessment Fee to cover the cost of processing the reassessment.

Clause 4.27.10 and 4.27.10A have been merged into one clause, with new sub clause (a) referring to the three monthly reporting requirements for years 1 and 2 of the relevant Reserve Capacity Cycle and new sub clause (b) referring to the monthly reporting requirement for year 3 of the relevant Reserve Capacity Cycle

4.27.10. ~~Subject to clauses 4.27.11C and 4.27.10A,~~ Market Participants holding Capacity Credits for Facilities that are yet to commence operation must file a report on progress with the IMO:

- (a) at least once every three months starting from the date the Capacity Credits are confirmed under clause 4.20.5A; and
- (b) at least once every month between the start of the calendar year in which the date referred to in clause 4.10.1(c)(iii)(7) falls and the date the IMO notifies the Market Participant, under clause 4.13.10A(b), that the need to maintain the Reserve Capacity Security for the Facility has ceased.

Clause 4.27.10A has been deleted, with the monthly reporting requirement now included in clause 4.27.10(b).

4.27.10A. ~~[Blank]-Market Participants holding Capacity Credits for Facilities that are yet to commence operation must file a report on progress with the IMO at least once every month between the commencement of the calendar year in which the date referred to in clause 4.10.1(c)(iii)(7) falls and the date the IMO has notified the Market Participant, in accordance with clause 4.13.10A, of its determination, that the need to maintain the Reserve Capacity Security for the Facility has ceased.~~

Clause 4.27.11 has been simplified to refer to the amended clause 4.27.10, deleting the reference to clause 4.27.11A, and referring to the new defined term "Key Project Dates".

4.27.11. ~~The report Reports provided under described in clause 4.27.10 or clause 4.27.10A, whichever applies, must include the current nominations of each date to which clause 4.10.1(c)(iii) refers any changes to Key Project Dates.~~

Clause 4.27.11A has been amended to remove the IMO's role in approving or not approving Key Project Dates in years 1 and 2 of the relevant Reserve Capacity Cycle. If advised of new dates under clause 4.27.10(a), the IMO will simply revise the date referred to in 4.10.1(c)(iii)(7).

While Market Participants may choose for their Reserve Capacity Obligation to commence earlier than the start of Year 3 of the Reserve Capacity Cycle, participants cannot delay the commencement of their Reserve Capacity Obligation to a date after the start of Year 3 of the Reserve Capacity Cycle.

4.27.11A ~~On receiving the report described in clause 4.27.10 or clause 4.27.10A, the IMO must conduct an assessment and approve or not approve the current nominations for each date provided in accordance with clause 4.27.11 where the current nomination differs from the previous nomination and would result in a change to the date from which Reserve Capacity Obligations apply for that Facility. Upon receipt of a report provided under clause 4.27.10(a) the IMO must revise the date referred to in clause 4.10.1(c)(iii)(7) in accordance with the report.~~

Clause 4.27.11B has been amended to remove the IMO's role in approving or not approving Key Project Dates in year 3 of the relevant Reserve Capacity Cycle. If advised of new dates under clause 4.27.10(b), the IMO must consult with System Management and reject a change to the Key Project Dates if System Management considers that the Facility is unlikely to complete all Commissioning Tests by the date specified.

4.27.11B ~~Upon receipt of a report provided under clause 4.27.10(b) or 4.27.11D From the commencement of the calendar year in which the date referred to in clause 4.10.1(c)(iii)(7) falls, the IMO must consult with System Management when conducting its assessment in accordance with clause 4.27.11A of a nomination for a date to which clause 4.10.1(c)(iii)(7) refers. The IMO must reject a change to the Key Project Dates not approve that nomination if, in System Management's advises that in its opinion, the Facility, or part of the Facility, is unlikely to have completed all Commissioning Tests by the nominated date specified in the report. If the IMO does not reject a change to~~

the Key Project Dates, the IMO must revise the date referred to in clause 4.10.1(c)(iii)(7) in accordance with the report.

Clause 4.27.11C has been amended to reflect the amendments to clauses 4.27.11 to 4.27.11B and the creation of the new defined term “Key Project Dates”.

4.27.11C If, in accordance with clause 4.27.11BA, the IMO ~~rejects does not approve a~~ change to the Key Project Dates one or more of the nominated dates provided in accordance with clause ~~4.27.11~~ 4.27.10(b) or 4.27.11D the IMO must, within ten business days ~~from the date a report is submitted in accordance with clause 4.27.10A or clause 4.27.11D~~ of receiving the report, notify the Market Participant of its decision and provide reasons why the dates have ~~not~~ been rejected ~~approved~~.

Clause 4.27.11D has been amended to reflect the amendments to clauses 4.27.11 to 4.27.11C and the creation of the new defined term “Key Project Dates”.

4.27.11D ~~Where the IMO rejects a change to the Key Project Dates in respect of a report submitted in accordance with clause 4.27.10 or clause 4.27.10A including the dates nominated in accordance with clause 4.27.11, the IMO it~~ may require the Market Participant to provide supporting evidence additional information, submitted by a suitably authorised person, and ~~the IMO may also~~ require the Market Participant to submit further reports in accordance with clause 4.27.10 or clause 4.27.10A, or revise the dates nominated in accordance with 4.27.11 the Key Project Dates. The provisions of clauses 4.27.11 to this clause 4.27.11D will apply to any further reports.

Clause 4.29.1(c) has been amended to include a reference to clause 4.20.5A.

- 4.29.1. The Monthly Reserve Capacity Price to apply during the period specified in clause 4.1.29 is to equal:
- (a) if a Reserve Capacity Auction was run for the Reserve Capacity Cycle, the Reserve Capacity Price for the Reserve Capacity Cycle divided by 12; or
 - (b) if no Reserve Capacity Auction was run for the Reserve Capacity Cycle:
 - i. prior to 1 October 2008, 85% of the Maximum Reserve Capacity Price for the Reserve Capacity Cycle divided by 12;
 - ii. from 1 October 2008, 85% of the Maximum Reserve Capacity Price for the Reserve Capacity Cycle multiplied by the Excess Capacity Adjustment and divided by 12;
 - (c) the Excess Capacity Adjustment is equal to the minimum of:
 - i. one, and

- ii. the Reserve Capacity Requirement for the Reserve Capacity Cycle divided by the total number of Capacity Credits assigned by the IMO in accordance with clause 4.20.5A for the Reserve Capacity Cycle.

The following change will remove the IMO publication of the level of Certified Reserve Capacity assigned to each Facility, as originally proposed in the discussion of Issue 10. This is because of the potential that a Market Participant could use this information to force a Reserve Capacity Auction.

10.5.1 The IMO must set the class of confidentiality status for the following information under clause 10.2.1, as Public and the IMO must make each item of information available from the Market Web-Site after that item of information becomes available to the IMO:

...

- (f) the following Reserve Capacity information (if applicable):

...

- ~~iiiA. for each Market Participant that was assigned Certified Reserve Capacity, the level of Certified Reserve Capacity assigned to each Facility for each Reserve Capacity Cycle;~~

...

Glossary:

Key Project Dates: Means the dates most recently provided to the IMO under clause 4.10.1(c)(iii) or in reports provided under clauses 4.27.10 or 4.27.11D.

Reassessment Fee: A fee determined by the IMO under clause 2.24.2.

APPENDIX 5: ADDITIONAL AMENDMENTS MADE BY THE IMO FOLLOWING THE SECOND SUBMISSION PERIOD.

The IMO has made some amendments to the Amending Rules following the second submission period. These changes are as follows (~~deleted text~~, added text):

Clause 4.10.1(c) has been updated to require applications for CRC to provide evidence of environmental approvals just for Facilities that have yet to enter service (reverting to the current Market Rules), rather than all Facilities as the IMO originally proposed.

4.1.15A. The IMO must publish the Certified Reserve Capacity for each Facility in accordance with clause 4.9.9A by 5 PM of the first Business Day following the confirmation deadline specified in clause 4.1.15.

4.9.9A The IMO must publish, by the date and time specified in clause 4.1.15A, the level of Certified Reserve Capacity assigned to each Facility.

4.10.1. The information to be submitted with an application for certification of Reserve Capacity must pertain to the Reserve Capacity Cycle to which the certification relates, must be supported by documented evidence and must include, where applicable, the following information:

- (a) the identity of the Facility;
- (b) the Reserve Capacity Cycle to which the application relates;
- (bA) with the exception of applications for Conditional Certified Reserve Capacity:
 - i. evidence of an Arrangement for Access or evidence that the Market Participant has accepted an Access Proposal from the relevant Network Operator made in respect of the Facility and that the Facility will be entitled to have access from a specified date occurring prior to the date specified in clause 4.10.1(c)(iii)(7), including the level of unconstrained access and details of any constraints that may apply;
 - ~~ii. evidence that any necessary Environmental Approvals have been granted or evidence supporting the Market Participant's expectation that any necessary Environmental Approvals will be granted in time to have the Facility meet its Reserve Capacity Obligations by the date specified in clause 4.10.1(c)(iii)(7);~~
- (c) if the Facility, or part of the facility, is yet to enter service:
 - i. [Blank]
 - ii. [Blank] evidence that any necessary Environmental Approvals have been granted or evidence supporting the Market Participant's expectation that any necessary Environmental Approvals will be granted in time to have the Facility meet its

Reserve Capacity Obligations by the date specified in clause 4.10.1(c)(iii)(7);

- iii. the Key Project Dates occurring after the date the request is submitted to the IMO, including, as applicable, but not limited to:

...

- (dA) a description of the main components of the Facility;

10.5.1 The IMO must set the class of confidentiality status for the following information under clause 10.2.1, as Public and the IMO must make each item of information available from the Market Web-Site after that item of information becomes available to the IMO:

...

- (f) the following Reserve Capacity information (if applicable):

...

- iiiA. for each Market Participant that was assigned Certified Reserve Capacity, the level of Certified Reserve Capacity assigned to each Facility for each Reserve Capacity Cycle;

...

APPENDIX 6: DISCUSSION AT THE MARKET ADVISORY COMMITTEE

The proposal was presented to the MAC at both the 8 September and 13 October 2010 meetings. An overview of the MAC discussions is presented below. Further details are available in the MAC meeting minutes available on the IMO website⁴.

September 2010 Meeting

During the meeting the IMO presented its Pre Rule Change Discussion Paper, noting that the paper covered potential improvements identified during this 2010 certification process.

The following additional points were raised:

- Issue 1: Reserve Capacity Mechanism timetable
 - A member asked what mix of Facility types were making up the applications. The IMO responded that typically 50 per cent of applications required significant review, with the existing Facilities often proposing upgrades, fuel changes etc. Another member considered that the graphs did not indicate that the workload had increased year on year. The Chair confirmed that the workload had definitely increased;
 - Another member queried whether the eight week for assessing Certified Reserve Capacity applications represented an ambit claim by the IMO. The IMO responded that it would like to take due diligence on all applications, and was conscious over time that a number of factors could become invalid such as Access Contracts, fuel contracts and environmental approvals. The IMO wished to be able to examine applications for existing Facilities in more detail. Another member commented that the increase workload could be dealt with either increasing resources or extending the assessment period. The IMO replied that there were invariably delays in the assessment process that were difficult to compress even with the additional resources. The Chair noted that Market Participants would also find themselves rushed by the current process;
 - There was a comment that the MAC has no visibility of what has happened to indicate risks associated with the current approval period. The Chair replied that in essence the review process effectively conduct due diligence over a \$1 billion market. The IMO needs more time to undertake the level of assessment it considers appropriate. The Chair expressed his interest in the MACs views on the interaction of the Statement of Opportunities (SOO) process and applications. The Chair noted that he had thought the SOO critical to the applications process but had since been convinced otherwise.
 - The MAC members were asked if there was any objection to extending the assessment period as proposed. A member responded that it seemed odd to align the window closure with the publication of the SOO as some Market Participants may use the SOO to make a final decision about an application for new Facilities. The member added that he would prefer a “reasonable period” between the publication of the SOO and the closure of the application window.
 - The Chair suggested the IMO look at the option of publishing the SOO earlier in the Reserve Capacity timeline. A member suggested it could even be published later, in October for example, which would give generators more time to consider its contents relative to the recently concluded certification process for the

⁴ www.imowa.com.au/market-advisory-committee

following year. Another member noted that any change to the publication date would need to be considered carefully as the SOO was used by many industry members. The Chair advised that the IMO will ask customers what value they get from the SOO and for their thoughts on the timing of its publication.

- It was questioned whether 10 Business Days was a more appropriate timeframe for Reserve Capacity to be traded bilaterally. The IMO noted that this leaves little time to determine whether a Reserve Capacity Auction was needed and to declare one if necessary. The MAC agreed that 10 days was appropriate and for the IMO to amend the provision to this time.
- Issue 2: Requirement for valid application to be submitted for Certified Reserve Capacity
 - The term “valid application” was questioned. The IMO replied that at present, the IMO could grant Certified Reserve Capacity for a Facility even if no application was received. The purpose of the proposed amendments was to ensure an application must be submitted for Certified Reserve Capacity to be granted. The member suggested the IMO check the use of “valid” with its legal section and suggested “complete” may be a better word.
- Issue 3: Clarification of Required Availability
 - A member queried whether, given its repeated usage, it would be worth creating a defined term for “Peak Trading Intervals on Business Days” in the Market Rules.
 - System Management queried whether Market Participants had an issue with the current 14 hour per day availability requirement. The IMO responded that this did place a burden on Market Participants in terms of the maximum fuel requirements for which they need to contract. System Management considered that if the requirement is restricted to Business Days, then the first problem is what happens on the weekends, citing Varanus Island as an example, and that a Facility might not be ready to operate on Monday morning. A member considered at present there is a disincentive to register as a dual fuel Facility; another member agreed that there is a need to incentivise dual fuel Facilities.
- Issue 4: Transmission access requirements
 - A member queried the level of certainty being sought by the IMO with regard to network access. The IMO replied that the Market Rules were designed before the Access Code was finalised, and that usually an “Access Offer” was made just prior to the finalisation of the Electricity Transfer Access Contract. The IMO asked MAC members what they considered the minimum level of certainty should be, submitting that if the access needed to be watertight, then “Access Offer” should be retained. The Chair noted that the Market Rules were based on an applicant having an unconditional Access Offer from Western Power, but increasingly this was not the case. The Chair considered that if unconditional access was required then almost no applications would be successful.

October 2010 Meeting

During the meeting the IMO presented its Pre Rule Change Discussion Paper, noting that the IMO has completed a consultation process with industry around the content and preferred timing of the SOO. Following this consultation the IMO proposed to bring the SOO publication deadline forward to 17 June.

The following points were raised:

- A member questioned the value of the SOO, stating that there is a very short timeframe between the availability of the SOO and the timeframes for discussion

with Western Power regarding network access. Another member noted that the SOO is a risk management tool for a developer to confirm business plans and not necessarily a driver for investment. The Chair noted that the SOO can equally send signals to developers that the capacity is no longer required in the WEM.

- A member questioned the IMO's view on the request from participants for details of new large loads to be included in the load forecasts. The IMO noted that it could seek legal advice on releasing this information, as it might be useful to list some of the details of large proposed loads but the SOO should not make a judgement on the likelihood of the plans going forward.
- A member questioned the ability for the IMO to reject an expert report. The IMO suggested that it would provide greater clarification of the circumstances under which it would reject a report in the Reserve Capacity Procedure, including a notification and opportunity for the Market Participant to respond. The Chair noted that a decision to reject a report should be a Reviewable Decision.
- A member noted that the amendment to clause 4.11.1(a) would create an objective test by the IMO as to whether a Non-Scheduled Generator could be dispatched by System Management. System Management noted that these Facilities can generally be dispatched downward but not upward with exceptions being small wind farms which can only be switched off. The IMO noted that the IMO's reasonable expectation of non-dispatchable generators availability is zero.
- The Chair noted that the IMO would request System Management to confirm whether it is dispatchable and a member noted that the Amending Rules need to be clear on whether a Facility can be dispatchable upwards or downwards. The IMO noted that this concept relates to generators who can be scheduled upwards and suggested clause 4.11.1(a) be amended to refer to scheduled generators.

The MAC accepted the principles being proposed in PRC_2010_14 subject to the agreed amendments to the drafting.