



Draft Rule Change Report
Title: Capacity Credit Cancellation

Ref: RC_2010_28

Standard Rule Change Process

Date: 14 December 2011

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EXECUTIVE SUMMARY

Proposed Amendments

The IMO's Rule Change Proposal seeks to amend the Wholesale Electricity Market Rules to allow the IMO, where it becomes aware that a new Facility will be unable to deliver any capacity to the market for an entire Capacity Year, to cancel the Capacity Credits associated with the Facility for that Capacity Year.

Consultation

- The proposal was first discussed by the Market Advisory Committee (MAC) at its October 2010 meeting. The MAC supported the proposal in principle but requested that the IMO undertake some additional analysis on the ability to draw down on Reserve Capacity Security prior to the end of the relevant Capacity Year and on potential adjustments to the capacity price as a result of reducing a Facility's Capacity Credits to zero.
- The proposal was again discussed by the MAC at its February 2011 meeting. The IMO presented the outcomes of its additional analysis, which did not result in any changes to the proposed amendments. The proposal was supported by the majority of MAC members, although two members raised concerns about the proposal and agreed to email the details of these concerns to the IMO. The IMO made some further amendments to the drafting in response to the feedback provided by the two members.
- The IMO formally submitted the Rule Change Proposal and called for submissions on 1 March 2011.
- Submissions were received from Alinta, Landfill Gas & Power (LGP) and Synergy. LGP and Synergy supported the Rule Change Proposal. Alinta was not convinced that the proposal was an appropriate solution and expressed concerns that it may be difficult to implement in practice and create further risks around the processes the IMO undertakes to certify Facilities.

Assessment against Wholesale Market Objectives

The IMO has found the proposed amendments to promote Wholesale Market Objective (a) and to be consistent with the remaining Wholesale Market Objectives.

Practicality and Cost of Implementation

The proposed amendments will require minor changes to the IMO's internal procedures. Minor additional costs will be incurred to prepare and process a Notice of Intention to Cancel Capacity Credits. All the additional costs identified fall within the IMO's normal operating budget. No changes to any other Rule Participant's costs have been identified.

Changes would be required to the Electricity Industry (Wholesale Electricity Market) Regulations 2004, to enable a Market Participant to appeal a decision by the IMO to cancel the Capacity Credits for one of its Facilities. The IMO considers that the proposed amendments must not commence until these changes have been made.

The IMO's Proposed Decision

The IMO's proposed decision is to accept the Rule Change Proposal as modified following the first submission period.

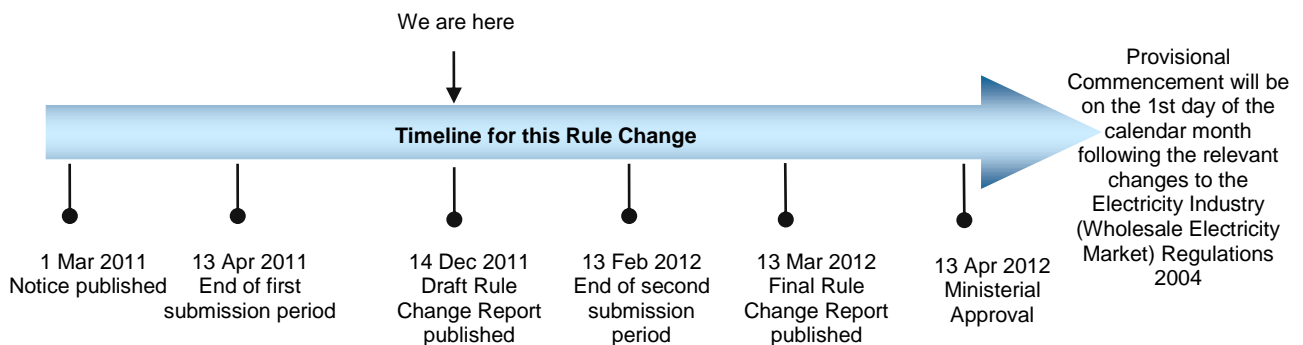
Next steps

The IMO now invites interested stakeholders to make submissions on this Draft Rule Change Report by **5.00pm, Monday 13 February 2012**.

1 RULE CHANGE PROCESS AND TIMETABLE

On 1 March 2011, the Independent Market Operator (IMO) submitted a Rule Change Proposal regarding amendments to clauses 2.17.1, 4.12.6, 4.25.12, 4.27.10, 4.27.10A, 10.5.1 and the Glossary, and new clauses 4.1.21A, 4.13.1A, 4.20.8, 4.20.9, 4.20.10, 4.20.11, 4.20.12, 4.20.13 and 4.20.14 of the Wholesale Electricity Market Rules (Market Rules).

This proposal is being processed using the Standard Rule Change Process, described in section 2.7 of the Market Rules. In accordance with clause 2.5.10 of the Market Rules the IMO decided to extend the timeframes for the preparation of the Draft Rule Change Report and the second submission period. 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:



Please note the commencement date would need to be aligned with the appropriate amendments of the Electricity Industry (Wholesale Electricity Market) Regulations 2004 (Regulations) to incorporate the new Reviewable Decision.

2 CALL FOR SECOND ROUND SUBMISSIONS

The IMO invites interested stakeholders to make submissions on this Draft Rule Change Report. The submission period is 39 Business Days from the publication date of this report. Submissions must be delivered to the IMO by 5.00pm, **Monday 13 February 2012**.

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

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

Independent Market Operator
Attn: Group Manager, Market Development
PO Box 7096
Cloisters Square, PERTH, WA 6850
Fax: (08) 9254 4399

3. PROPOSED AMENDMENTS

3.1 *The Rule Change Proposal*

In its Rule Change Proposal, the IMO noted that over the previous twelve months the Wholesale Electricity Market (WEM) had experienced, for the first time, settlement default due to the failure of one Market Participant to pay invoices. The Market Participant in question was awarded Certified Reserve Capacity and Capacity Credits for the development, construction and commissioning of a new Facility. However, the Market Participant did not build its proposed Facility and, consequently, failed to provide Reserve Capacity to the WEM.

In this instance, the issues associated with this Facility were known in advance by the IMO and there was no possibility of the capacity being delivered to the market within the Capacity Year.

The IMO noted that this situation resulted in some Market Participants being short-paid every month in the Non-STEM settlement process for the Capacity Year. These short-pay arrangements could have continued into later Capacity Years for which Capacity Credits were awarded to the Market Participant.

The IMO proposed to amend the Market Rules so that under conditions like these, in which a new Facility is expected to be unable to deliver any capacity to the WEM for an entire Capacity Year, the IMO will be able to cancel the Capacity Credits associated with the Facility for that Capacity Year.

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

3.2 *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.

4. CONSULTATION

4.1 *Market Advisory Committee*

The MAC discussed the proposal at the 13 October 2010 and 9 February 2011 meetings. An overview of the discussion at the MAC meetings is presented below. Further details are available in the MAC meeting minutes available on the IMO website: <http://www.imowa.com.au/market-advisory-committee>.

October 2010 MAC meeting

During the October 2010 meeting Mr Troy Forward presented the IMO's proposal as a Pre Rule Change Discussion Paper. The following points were noted.

- Dr Steve Gould noted that a large facility being unavailable may have significant impacts on all Market Participants.
- Mr Andrew Sutherland questioned whether it would be possible for the IMO to reduce a Facility's Capacity Credits half way through the year or make a decision to partially reduce the Capacity Credits. Mr Forward noted that there may be a net outflow to the market if the IMO were to reduce a Facility's Capacity Credits to zero part way through the year.

- Mr John Rhodes questioned whether the reduction of Capacity Credits would impact on the Individual Reserve Capacity Requirement (IRCR) calculations. Similarly, Mr Sutherland questioned the likely impact on the capacity price. Mr Forward noted that the impact should be similar to the early entry of Capacity Credits. While the IRCR calculation would be responsive to these cases, any change to the capacity price would be a significant structural amendment. Mr Sutherland noted that in these cases the capacity price would be lower than what it would have otherwise been if the participant had not been included in the original calculation. Additionally, Mr Sutherland noted that a participant's security deposit does not get distributed to Market Generators. Mr Forward noted that it may be reasonable to adjust the capacity price in these instances.
- Mr Forward noted that the IMO's ability to draw down on security in these circumstances would be at the end of the Capacity Year under the current provisions in the Market Rules. The alternative would be for the IMO to be able to draw down on security immediately. Dr Gould suggested that there may be merit in diverting this security to an SRC fund. The Chair agreed that this should be further considered.

The MAC supported the proposal in principle but requested that the IMO undertake some additional analysis. The IMO agreed to consider incorporating:

- an ability to draw down on Reserve Capacity Security prior to the end of the Capacity Year and diverting this to a Supplementary Reserve Capacity (SRC) fund; and
- potential adjustments to the capacity price as a result of reducing a Market Participant's Capacity Credits to zero

into RC_2010_28 and update the proposal accordingly, before presenting it back to the MAC for further discussion.

February 2011 MAC meeting

During the February 2011 meeting Ms Fiona Edmonds presented the outcomes of the additional analysis requested by the MAC at the October 2010 meeting.

Issue 1: Ms Edmonds clarified that the risk to the market of an SRC event being incurred can last for up to three Reserve Capacity Cycles, under the current arrangements, and that any monies drawn down by the IMO would not be paid out until this risk had lapsed or an SRC event had occurred.

Ms Edmonds contended that there is no clear rationale to distinguish between monies that would be distributed to the SRC fund following:

- a reduction in a Facility's Capacity Credits to zero; or
- the Facility's failure to meet the 90 percent test by the end of the Capacity Year.

As such, Ms Edmonds considered that this concept should not be included in PRC_2010_28. Ms Edmonds recommended that the ability to draw down on security earlier in the case where a Facility's Capacity Credits have been reduced to zero should be further considered in conjunction with the development of an SRC fund by the Rules Development Implementation Working Group (RDIWG).

Issue 2: Ms Edmonds noted that there are a number of different situations under which the total number of Capacity Credits assigned in the market would change. (Ms Edmonds clarified that Forced Outages would impact on the amount of capacity available but not the number of Capacity Credits in the market.) Ms Edmonds noted the

IMO's view that it is appropriate to consider the concept of adjusting the Reserve Capacity Price in response to all of these situations where there is an amendment to the number of Capacity Credits in the market, rather than only considering a reduction in a Facility's Capacity Credits to zero.

Ms Edmonds also noted that the cover paper contained a worked example of the financial impact of adjusting the capacity price to reflect a change in assigned Capacity Credits. In the example, the reduction of the Capacity Credits of a 40 MW Facility to zero for the 2010/11 Capacity Year resulted in a capacity price increase of approximately 1 percent. Ms Edmonds noted that generally Market Participants would have no ability to respond to these price signals. As such there appears to be little justification for introducing price adjustments, particularly given the associated implementation costs.

Ms Edmonds concluded that the IMO's recommendation was not to consider potential adjustments to the capacity price further at the stage.

In response to a question from Mr Sutherland, the Chair reiterated that the intent of the proposal was not to cancel Capacity Credits except when it was clear that no capacity would be provided for the entire upcoming Capacity Year. Mr MacLean considered that while this intent was stated explicitly in the paper, the drafting of the proposed new clause 4.20.8 was ambiguous about which Capacity Year was under consideration. Mr MacLean offered to send the IMO further details of the issue and his proposed solution.

Mr Dykstra noted that he had some concerns regarding the proposed amendments. Mr Dykstra agreed to email his comments to the IMO.

The Chair queried whether MAC members had any other issues apart from those already raised. Members indicated that they had no further issues with the proposal, other than those already raised. The IMO agreed to update PRC_2010_28 to reflect the feedback provided by MAC members and formally submit the proposal into the rule change process.

4.2 Submissions received during the first submission period

The first submission period for this Rule Change Proposal was between 2 March 2011 and 13 April 2011.

The IMO received submissions from Alinta, Landfill Gas & Power (LGP) and Synergy during the first submission period. A copy of the full text of all submissions is available on the IMO website.

LGP supported the Rule Change Proposal, considering that it would remove the considerable administrative disruption and cost caused to the market by the non-performance of a new capacity provider.

Synergy also supported the proposal. Synergy noted that the rule change will also enable a Market Participant to appeal the IMO's decision to cancel its Capacity Credits to the Electricity Review Board (ERB). Synergy considered that the proposed amendments should not commence until after the Electricity (Wholesale Electricity Market) Regulations 2004 (Regulations) have been appropriately changed or a Market Participant will be unable to appeal a decision by the IMO to cancel its Capacity Credits.

Alinta agreed that the short-pay arrangements that can emerge in the situations under consideration are an inconvenience to other Market Participants. However, Alinta was not convinced that RC_2010_28 is an appropriate solution to the inconvenience that occurs in the settlement process. Alinta expressed concern that the proposal may be difficult to implement in practice and created further risks around the current processes

the IMO undertakes to certify Facilities. Alinta requested that the IMO provide further guidance to the market as to the costs and benefits of RC_2010_28 in order to assess the relative impacts of the proposed solution.

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	Does not believe that RC_2010_28 in its current form impacts materially on better achieving the Wholesale Market Objectives
LGP	Consistent
Synergy	Bettors addresses (a) and (d)

4.3 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 the table over the page:

Clause/Issue	Submitter	Comment/Change Requested	IMO's response
Commencement of Reviewable Decision	Synergy	RC_2010_28 should not commence until after the Regulations have been appropriately changed or a Market Participant will be unable to appeal a decision by the IMO to cancel its Capacity Credits.	The IMO agrees that the proposed amendments should not commence until after the Regulations have been appropriately changed and will work with the Office of Energy to ensure RC_2010_28 is not commenced until the Regulations have been changed. The IMO notes that the provisional commencement date for this Rule Change Proposal will be the first day of the calendar month following the month in which the Regulations commence. For further details refer to section 5.3
4.20.9(b)	Alinta	Proposed clause 4.20.9(b) requires that the IMO provide details of the evidence considered in determining that no capacity associated with the Capacity Credits assigned to the Facility will be made available to the market for the entire Capacity Year. This evidence that will support the reasoning behind the IMO cancelling the Capacity Credits may in practice be difficult to comprehensively demonstrate that a Facility is unable to provide any capacity for the full year of the Reserve Capacity Cycle.	The IMO anticipates that the proposed mechanism would only be employed if there was a high degree of certainty that the relevant Facility would be unable to provide any capacity for the full Capacity Year. An example of such a situation would be if the original project schedule for a Facility required a construction period of 18 months from the commencement of site works, but a progress report submitted three months before the start of the Capacity Year indicated that the site works had not yet commenced. If the evidence that a new Facility would be unable to provide any capacity in a Capacity Year was not clear and compelling then the IMO would (correctly) not seek to cancel its Capacity Credits.
Impact on IMO certification processes	Alinta	There is a risk that RC_2010_28 reduces the incentive upon the IMO to make sure that the processes for certifying Facilities and the requirements around providing Reserve Capacity Security actually achieve the principal aim of the Reserve Capacity Mechanism in making available the capacity to the market when it is required, RC_2010_28 increases the mechanisms available to the IMO after Facilities have been certified thereby potentially reducing the level of scrutiny the IMO must undertake prior to the certification of a Facility.	The proposed amendments would reduce some of the administrative and financial overheads that can affect Market Participants if a new Facility fails to provide its expected capacity. The amendments are also expected to provide the market with greater clarity on capacity availability. However, the amendments cannot prevent the adverse impacts of a capacity shortfall on the IMO and the market (such as the need to acquire supplementary capacity) and so do not reduce the incentive for the IMO to be rigorous in its scrutiny of applications for certification of Reserve Capacity.
Cost/Benefit	Alinta	Alinta requests that the IMO provide further guidance to the market as to the costs and benefits of RC_2010_28 in order to assess the relative impacts of the proposed solution.	Please refer to sections 5.2 and 5.3 of this report.

4.4 Public Forums and Workshops

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

5. THE IMO'S ASSESSMENT

In preparing its Draft 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 or any technical studies commissioned in respect of this Rule Change Proposal. A summary of the views expressed in submissions and by the MAC is available in section 4 of this report.

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

5.1 Additional Amendments to the Proposed Amending Rules

Following the first public submission period the IMO has made some additional changes to the proposed Amending Rules. A summary of these changes is provided below.

- The proposed new clause 4.1.21A has been renumbered to 4.1.21B, as a different clause 4.1.21A was created by the commencement of the Rule Change Proposal: Certification of Reserve Capacity (RC_2010_14) on 8 July 2011.
- The proposed references to clause 4.20.11 in clauses 4.12.6 and 4.13.1A (now 4.13.1B) have been changed to refer to clause 4.20.14. While clause 4.20.11 requires the IMO to decide whether to cancel the Capacity Credits for a Facility, the actual cancellation of the Capacity Credits occurs under new clause 4.20.14. The IMO notes that the original intention was to reference where the Capacity Credits have been cancelled in clause 4.12.6 and 4.13.1A (now 4.13.1B).
- The proposed new clause 4.13.1A was intended to align with the new clause 4.13.1A proposed at the time as part of the Rule Change Proposal: Reserve Capacity Security (RC_2010_12). The relevant clause was later renumbered to 4.13.1B in RC_2010_12, which commenced on 1 October 2011. As a result the clause 4.13.1A in this proposal has been replaced with an equivalent amendment to the (now) existing clause 4.13.1B.
- Clause 4.20.8 has been updated to correct the cross reference to clause 4.1.21A (now clause 4.1.21B) and to clarify that the IMO will only consider the cancellation of Capacity Credits for new Facilities that are yet to enter service (reflecting the stated intent of the proposal).

- Clause 4.20.13 has been updated to clarify that the IMO will not publish any details on the IMO website if it decides not to cancel the Capacity Credits for a Facility.
- New clause 4.20.15 has been added to require that if the IMO decides not to cancel the Capacity Credits for a Facility it must advise the Market Participant of its decision within five Business Days.
- The proposed amendments to clause 4.25.12 have been removed as they are not relevant to this section of the Market Rules (which relates to Reserve Capacity testing),
- The proposed amendments to clauses 4.27.10 and 4.27.10A have been removed, as they are not required. If a new Facility still holds Capacity Credits for a future Capacity Year then there will be a continuing requirement to report progress, while if this is not the case then the market will have no further interest in the Facility and so will not require progress reports. (Note that these clauses were also amended by RC_2010_14.)
- Clause 10.5.1(f) has been amended to include the publication of the information specified in clause 4.20.12(c).
- A number of minor changes to grammar and punctuation have been made.

The additional amendments are contained in Appendix 2 of this report.

5.2 Wholesale Market Objectives

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

The IMO's assessment is presented below:

- (a) *to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West Interconnected System*

The IMO considers that the proposed amendments would provide greater clarity on the availability of capacity at an earlier stage in the Reserve Capacity Cycle. This in turn would allow the IMO and other participants to make better decisions to address any potential capacity shortfall, which would better address Wholesale Market Objective (a).

The proposed amendments would also avoid the need to raise and administer Default Levies if a Market Participant fails, not only to provide any capacity, but to pay any Capacity Cost Refunds. Currently the levies are required each month for as long as the Market Participant continues to hold Capacity Credits (typically at least two years). The IMO considers that in these situations the timely cancellation of the Capacity Credits is a more efficient approach, as it avoids:

- the administrative cost to the IMO of managing the Default Levy process (currently around 1 person hour per Trading Month);
- the additional administrative cost to each Market Participant due to the increased complexity of the settlements process (note that every Market Participant that generates or consumes energy is required to contribute to a Default Levy);
- the temporary unavailability of Default Levy funds to the contributing Market Participants; and

- losses to Default Levy contributors if the total amount recovered by the IMO through withholding capacity payments does not equal the amount needed to repay the Default Levy contributions plus interest (for example, the total amount outstanding over the 2010/11 Capacity Year was around \$6,000).

While not large, the IMO considers these costs to be undesirable, particularly when compared with the low additional cost associated with the implementation of the proposed amendments.

The IMO considers that the proposed amendments are consistent with the remaining Wholesale Market Objectives.

5.3 Practicality and Cost of Implementation

Cost:

The proposed amendments will require minor changes to the IMO's internal procedures. The update costs fall within the IMO's normal operating budget. No changes are required to the IMO's IT systems.

Most of the investigation and analysis involved in the preparation of a Notice of Intention to Cancel Capacity Credits is already undertaken by the IMO, through its assessment of applications for certification of Reserve Capacity and its review of the progress reports provided by Market Participants under clause 4.27.10. As noted previously, the IMO only proposes to seek the cancellation of Capacity Credits in cases where there is clear evidence of the inability of a Facility to provide any capacity. The IMO considers that the administrative workload associated with these notices would be minimal, particularly when compared with the ongoing costs associated with the creation, administration and settlement of Payment Defaults over multiple Capacity Years. Overall, the additional costs are expected to fall within the IMO's normal operating budget.

The proposed amendments do not require changes to any of System Management's systems or procedures. In addition there have been no identified changes to other Rule Participants' costs.

Practicality:

Changes would be required to the Regulations to enable a Market Participant to appeal a decision by the IMO to cancel the Capacity Credits for one of its Facilities. The IMO considers that the proposed amendments must not commence until these changes have been made. The commencement date for the Rule Change Proposal is therefore proposed to be the first day of the calendar month following the changes to the Regulations being made.

6. THE IMO'S PROPOSED DECISION

The IMO's proposed decision is to accept the Rule Change Proposal as modified by the amendments outlined in section 5.1 and specified in Appendix 2 of this report.

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

- will allow the Market Rules to better address Wholesale Market Objective (a);
- are consistent with the remaining Wholesale Market Objectives;
- have the support of the majority of MAC members; and
- have the support of two of the three submissions received during the first submission period.

Additional detail outlining the analysis behind the IMO's proposed decision is outlined in section 5 of this Draft Rule Change Report.

7. PROPOSED AMENDING RULES

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

2.17.1. Decisions by the IMO made under the following clauses are Reviewable Decisions:

...

(kA) clause 4.20.11;

4.1.21B. If required under clause 4.20.8, the IMO must issue a Notice of Intention to Cancel Capacity Credits by 5PM of the last Business Day falling on or before 15 August of Year 3 of the relevant Reserve Capacity Cycle, where the notice relates to the Capacity Year that commences on 1 October of Year 3 of that Reserve Capacity Cycle.

4.12.6. Subject to clause 4.12.7, any initial Reserve Capacity Obligation Quantity set in accordance with clauses 4.12.4, 4.12.5, 4.28B.4, or 4.28C.4 is to be reduced once the Reserve Capacity Obligations take effect, as follows:

(a) if the aggregate MW equivalent to the quantity of Capacity Credits (as modified from time to time under the Market Rules) for a Facility is less than the Certified Reserve Capacity for that Facility at any time (for example as a result of the application of clause 4.20.1, clause 4.20.14, clause 4.25.4 or clause 4.25.6), then the IMO must reduce the Reserve Capacity Obligation Quantity to reflect the amount by which the aggregate Capacity Credits fall short of the Certified Reserve Capacity;

...

4.13.1B₂. The obligation under clause 4.13.1 to provide Reserve Capacity Security does not apply where the Market Participant has provided Reserve Capacity Security in relation to the same Facility for a previous Reserve Capacity Cycle, unless:

(a) the Facility is an existing Facility undergoing significant maintenance or being upgraded; ~~or~~

(b) the IMO cancelled the Capacity Credits assigned to the Facility for that previous Reserve Capacity Cycle in accordance with clause 4.20.14.

4.20.8. If, by the date and time specified in clause 4.1.21B, the IMO becomes aware that no capacity associated with the Capacity Credits assigned to a new Facility that is yet to enter service will be made available to the market for an entire Capacity Year, it must issue a Notice of Intention to Cancel Capacity Credits to the Market Participant for that Facility for that Capacity Year.

4.20.9. A Notice of Intention to Cancel Capacity Credits issued to a Market Participant by the IMO, in accordance with clause 4.20.8, must include:

- (a) the details of the Facility to which the Notice of Intention to Cancel Capacity Credits applies;
- (b) details of the evidence considered by the IMO in determining that no capacity associated with the Capacity Credits assigned to the Facility will be made available to the market for the entire Capacity Year; and
- (c) the Capacity Year for which the cancellation of Capacity Credits assigned to the Facility will apply.

4.20.10. Within 10 Business Days of being issued a Notice of Intention to Cancel Capacity Credits in accordance with clause 4.20.8, the Market Participant may make a submission to the IMO detailing any reasons it considers should be taken into account by the IMO in making a final determination to cancel the Capacity Credits assigned to the Facility for the Capacity Year.

4.20.11. Where the IMO has issued a Notice of Intention to Cancel Capacity Credits in accordance with clause 4.20.8, the IMO must, within 20 Business Days of issuing the Notice of Intention to Cancel Capacity Credits, decide whether it will cancel the Capacity Credits assigned to the Facility for the Capacity Year.

4.20.12. Where the IMO makes a decision to cancel the Capacity Credits assigned to a Facility for a Capacity Year in accordance with clause 4.20.11, it must notify the Market Participant of its decision within 5 Business Days, including:

- (a) the details of the Facility;
- (b) a response to all issues raised by the Market Participant in any submission made in accordance with clause 4.20.10;
- (c) details of the evidence considered by the IMO in determining that no capacity associated with the Capacity Credits assigned to the Facility will be made available to the market for the entire Capacity Year; and
- (d) the Capacity Year for which the cancellation of Capacity Credits assigned to the Facility will apply.

4.20.13. Within 10 Business Days of making a decision, in accordance with clause 4.20.11, to cancel the Capacity Credits assigned to a Facility the IMO must publish on the Market Web Site the information specified in clauses 4.20.12(a), (c) and (d).

4.20.14. Where the IMO has made a decision to cancel the Capacity Credits assigned to a Facility in accordance with clause 4.20.11, the IMO must cancel the Capacity Credits assigned to the Facility for the Capacity Year specified in clause 4.20.12(d).

4.20.15. Where the IMO has made a decision not to cancel the Capacity Credits assigned to a Facility for a Capacity Year in accordance with clause 4.20.11, it must notify the Market Participant of its decision within 5 Business Days.

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):
 - i. Requests for Expressions of Interest described in clause 4.2.3 for the previous five Reserve Capacity Cycles;
 - ii. the summary of Requests for Expressions of Interest described in clause 4.2.7 for the previous five Reserve Capacity Cycles;
 - iii. the Reserve Capacity Information Pack published in accordance with clause 4.7.2 for the previous five Reserve Capacity Cycles;
 - iiiA. for each Market Participant that was assigned Certified Reserve Capacity, the level of Certified Reserve Capacity assigned to each to Facility for each Reserve Capacity Cycle;
 - iv. for each Market Participant holding Capacity Credits, the Capacity Credits provided by each Facility for each Reserve Capacity Cycle;
 - v. the identity of each Market Participant from which the IMO procured Capacity Credits in the most recent Reserve Capacity Auction, and the total amount procured, where this information is to be published by January 7th of the year following the Reserve Capacity Auction;
 - vi. for each Special Price Arrangement for each Registered Facility:
 - 1. the amount of Reserve Capacity covered;
 - 2. the term of the Special Price Arrangement; and
 - 3. the Special Reserve Capacity Price applicable to the Special Price Arrangement,where this information is to be current as at, and published on, January 7th of each year;
 - vii. all Reserve Capacity Offer quantities and prices, including details of the bidder and facility, for a Reserve Capacity Auction, where this information is to be published by January 7th of the year following the Reserve Capacity Auction; and
 - viii. reports summarising facility tests and reasons for delays in those tests, as required by clause 4.25.11;
 - ix. the following annually calculated and monthly adjusted ratios:
 - 1. NTDL_Ratio as calculated in accordance with Appendix 5, STEP 8;
 - 2. TDL_Ratio as calculated in accordance with Appendix 5, STEP 8; and

3. Total_Ratio as calculated in accordance with Appendix 5, STEP 10; and
- x. for a Facility that has had its Capacity Credits cancelled for the Capacity Year, the information specified in clause 4.20.12(a), (c) and (d).

...

Chapter 11: Glossary

Notice of Intention to Cancel Capacity Credits: A notice issued by the IMO under clause 4.20.8 and containing the information required under clause 4.20.9.

APPENDIX 1: THE IMO'S RULE CHANGE PROPOSAL

Change Proposal No: RC_2010_28

Received date: 1 March 2011

Change requested by

Name:	Troy Forward
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Address:	Level 3, Governor Stirling Tower, 197 St George's Terrace
Date submitted:	1 March 2011
Urgency:	High
Change Proposal title:	Capacity Credit Cancellation
Market Rule(s) affected:	Clauses 2.17.1, 4.12.6, 4.25.12, 4.27.10, 4.27.10A and new clauses 4.1.21A, 4.20.8, 4.20.9, 4.20.10, 4.20.11, 4.20.12, 4.20.13, 4.20.14

Details of the proposed Market Rule Change

1. Describe the concern with the existing Market Rules that is to be addressed by the proposed Market Rule change:

Background

Over the past twelve months, the Wholesale Electricity Market (WEM) has experienced, for the first time, settlement in default as a result of failure of one Market Participant to pay invoices. The reason this event has occurred stems from within the Reserve Capacity Mechanism with the respective Market Participant being awarded Certified Reserve Capacity and Capacity Credits some years ago for the development, construction and commissioning of a new Facility. The Market Participant in question did not build its proposed Facility and consequently failed to provide Reserve Capacity to the WEM.

In this instance, the issues associated with this Facility were well known in advance by the IMO and there was no possibility of the capacity being delivered to the market within the Capacity Year.

Issue

The outworking of this situation resulted in all Market Participants being short-paid every month in the Non-STEM settlement process for the Capacity Year. These short-pay arrangements may extend for up to three years while Capacity Credits have been awarded to the Market Participant. This is a burdensome process applied to all Market Participants, none of which have contributed to this issue in the first place.

Proposed Solution

The IMO proposes that under conditions such as these, in respect of a new Facility which is expected to be unable to deliver its entire capacity to the WEM for the entire Capacity Year, the IMO will be able to cancel the Capacity Credits associated with the Facility for that year.

Specifically, the IMO proposes the following process apply:

- Prior to the beginning of each Capacity Year, and where the IMO becomes aware that a Facility assigned Capacity Credits is unlikely to be able to make its capacity available to the WEM for an entire Capacity Year, (as identified from the either the progress reports provided by a Market Participant under either clause 4.27.10 or 4.27.10A or as a result of any additional information the IMO may have available to it), the IMO would be required to issue a notice to the Market Participant of its intention to cancel its Capacity Credits.
- The Market Participant would be provided a period in which it may respond to the IMO's notice of intention to cancel the Facility's Capacity Credits. Where the Market Participant disagrees with the IMO's intention it will be required to provide supporting evidence as to why the Facility's Capacity Credits should not be cancelled.
- The IMO would consider any supporting evidence provided by the Market Participant when making its final decision whether to cancel the Facility's Capacity Credits.
- If, in the IMO's reasonable expectation, it considers that the capacity will not be made available to the WEM, it may cancel the Capacity Credits assigned to the Facility for the period in question.
- The IMO would then be required to draw down on any Reserve Capacity Security held in respect of the Facility and distribute the security in accordance with existing arrangements specified in the Market Rules. The IMO notes that no amendments to the Market Rules are required to implement this. Currently under clause 4.13.11 a Market Participant is required to operate at a level equivalent to its Certified Reserve Capacity and not its Capacity Credits. In the situation where a Facility has had its Capacity Credits cancelled the test level would still be measured against the pre-cancellation level (refer to clause 4.12.6 for further details).¹

Any decision by the IMO to cancel the Capacity Credits for a Facility will apply for the whole Capacity Year. If in subsequent years the IMO also considers that the Facility will not be able to make its capacity available for the entire year it will undertake the above prescribed process again. This will provide Market Participants with an opportunity to respond to the IMO's notice of intention for subsequent Reserve Capacity Years in the case where it disagrees that the Facility will not be able to make its capacity available for the whole year. Market Participants will not be able to apply for a reassessment of the IMO's decision during the relevant Reserve Capacity Year. This is because allowing a Market Participant to request a reassessment and have its Capacity Credits reinstated during the Capacity Year would:

- create a distortion with the current capacity refund mechanism (as refunds would not always equate to the income received from Capacity Credits in each month); and
- potentially introduce an opportunity for gaming for Facilities which a late completing development.

Where the IMO considers in a subsequent year that a Facility will be able to make its capacity available for the whole Capacity Year, the Market Participant will be required to

¹ The IMO notes that under RC_2010_12 the IMO has proposed a number of amendments to re-structure the clauses around Reserve Capacity Security. These will improve the integrity of the Market Rules. Any amendments resulting from RC_2010_12 will be taken into account when preparing the final drafting to implement the ability for the IMO to draw down of Reserve Capacity Security when a Facility has had its Capacity Credits reduced to zero.

provide a further Reserve Capacity Security (as the existing security would have been drawn down previously by the IMO).

It is also proposed that any decisions made by the IMO to cancel a Market Participant's Capacity Credits would be a reviewable decision, on appeal to the Electricity Review Board (ERB). The IMO will work with the Office of Energy to include this decision in the list of Reviewable Decisions in the Electricity (Wholesale Electricity Market) Regulations 2004 (WEM Regulations).

2. Explain the reason for the degree of urgency:

The IMO proposes that this Rule Change Proposal be progressed through the Standard Rule Change Process.

3. Provide any proposed specific changes to particular Rules: (for clarity, please use the current wording of the Rules and place a ~~strike through~~ where words are deleted and underline words added)

The proposed amendment will specify the IMO's decision to cancel a Facility's Capacity Credits as being a reviewable decision. This allows the Market Participant to make an appeal to the ERB in the case where it disagrees with the IMO's decision. The IMO will work with the Office of Energy to include this decision in the list of reviewable decisions in the WEM Regulations.

2.17.1. Decisions by the IMO made under the following clauses are Reviewable Decisions:

...

(kA) clause 4.20.11;

The proposed new clause will include the issuance of a Notice of Intention to Cancel Capacity Credits into the Reserve Capacity Cycle timetable in clause 4.1.

4.1.21A If required under clause 4.20.8, the IMO must issue a Notice of Intention to Cancel Capacity Credits by 5PM of the last Business Day falling on or before 15 August of Year 3 of the relevant Reserve Capacity Cycle, where the notice relates to the Capacity Year that commences on 1 October of Year 3 of that Reserve Capacity Cycle.

The proposed amendment will specify that where a Facility has had its Capacity Credits cancelled by the IMO for a Capacity Year and so its quantity of Capacity Credits is less than the Certified Reserve Capacity for a Facility, then the IMO must reduce the Facility's Reserve Capacity Obligation Quantity to reflect the amount by which Capacity Credits fall short of the Certified Reserve Capacity.

4.12.6. Subject to clause 4.12.7, any initial Reserve Capacity Obligation Quantity set in accordance with clauses 4.12.4, 4.12.5, 4.28B.4, or 4.28C.4 is to be reduced once the Reserve Capacity Obligations take effect, as follows:

- (a) if the aggregate MW equivalent to the quantity of Capacity Credits (as modified from time to time under the Market Rules) for a Facility is less than the Certified Reserve Capacity for that Facility at any time (for

example as a result of the application of clause 4.20.1, clause 4.20.11, clause 4.25.4 or clause 4.25.6), then the IMO must reduce the Reserve Capacity Obligation Quantity to reflect the amount by which the aggregate Capacity Credits fall short of the Certified Reserve Capacity;

...

The proposed new clause will specify that a Market Participant who has had its Capacity Credits cancelled by the IMO and so forfeited its original security will be required to provide additional security if it wishes to participate in the Reserve Capacity Mechanism in subsequent years.

The IMO notes that further amendments to this clause are proposed under the Rule Change Proposal: Reserve Capacity Security (RC_2010_12). In particular, RC_2010_12 proposes to amend clause 4.13.1 to clarify that Market Participants only need to provide security for a Facility for the first Reserve Capacity Cycle, unless it is for an existing facility which is undergoing significant maintenance or an upgrade. The IMO notes that the drafting as currently proposed takes into account this conceptual change as was agreed 12 May 2010 MAC meeting. Any final amendments to this clause will take into account the IMO's final decision on RC_2010_12.

4.13.1A The obligation under clause 4.13.1 to provide Reserve Capacity Security does not apply where the Market Participant has provided Reserve Capacity Security in relation to the same Facility for a previous Reserve Capacity Cycle, unless IMO has cancelled the Capacity Credits assigned to a Facility in accordance with clause 4.20.11.

The proposed new clause will specify that prior to the beginning of each Capacity Year if the IMO becomes aware, either as a result of the progress reports provided by Market Participants or as a result of any additional information it may have available to it, that a Facility will not make available its capacity it may issue a Notice of Intention to Cancel Capacity Credits.

4.20.10. If, by the date and time specified in clause 4.1.21A, the IMO becomes aware that no capacity associated with the Capacity Credits assigned to a Facility will be made available to the market for an entire Capacity Year, it must issue a Notice of Intention to Cancel Capacity Credits to the Market Participant for that Facility for that Capacity Year.

The proposed new clause will require the IMO to issue a formal notice providing details and the reasoning behind the IMO potentially cancelling the Capacity Credits assigned to the Facility. It will also provide details of the Capacity Year for which the potential cancellation will apply.

4.20.11. A Notice of Intention to Cancel Capacity Credits issued to a Market Participant by the IMO, in accordance with clause 4.20.8, must include:

(a) the details of the Facility to which the Notice of Intention to Cancel Capacity Credits applies;

(b) details of the evidence considered by the IMO in determining that no capacity associated with the Capacity Credits assigned to the Facility will be made available to the market for the entire Capacity Year; and

(c) the Capacity Year for which the cancellation of Capacity Credits assigned to the Facility will apply.

The proposed new clause will allow a Market Participant to make a submission to the IMO for consideration prior to cancelling its Capacity Credits. The IMO considers that 10 Business Days will provide sufficient time for the Market Participant to prepare a submission.

Note that there is no firm requirement for a Market Participant to make a submission as it may no longer exist (as a company). In the case where a Market Participant does not make a submission to the IMO regarding this matter, this will be taken into account by the IMO in making its decision.

4.20.10. Within 10 Business Days of being issued a Notice of Intention to Cancel Capacity Credits in accordance with clause 4.20.8, the Market Participant may make a submission to the IMO detailing any reasons it considers should be taken into account by the IMO in making a final determination to cancel the Capacity Credits assigned to the Facility for the Capacity Year.

The proposed new clause will require the IMO to make a decision taking into account any submission made by the relevant Market Participant. The IMO's decision is not sequential on the receipt of a submission from a Market Participant as it is possible that one may not be made. To take this into account the timeframes for the IMO to make a decision are 10 Business Days after the last point at which a Market Participant may have made a submission.

The IMO considers that 10 Business Days will provide it with sufficient time to:

- consider the submission;
- inform and discuss with the IMO Board (if required); and
- make a decision.

4.20.11. Where the IMO has issued a Notice of Intention to Cancel Capacity Credits, in accordance with clause 4.20.8, the IMO must, within 20 Business Days of issuing the Notice of Intention to Cancel Capacity Credits, decide whether it will cancel Capacity Credits assigned to a Facility for the Capacity Year.

The proposed new clause will require the IMO to notify a Market Participant of its decision regarding whether to cancel the Capacity Credits for a Facility within 5 Business Days.

4.20.12. Where the IMO makes a decision to cancel the Capacity Credits assigned to Facility for the Capacity Year in accordance with clause 4.20.11, it must notify the Market Participant of its decision within 5 Business Days, including:

- (a) the details of the Facility;
- (b) a response to all issues raised by the Market Participant in any submission made in accordance with clause 4.20.10;

- (c) details of the evidence considered by the IMO in determining that no capacity associated with the Capacity Credits assigned to the Facility will be made available to the market for the entire Capacity Year; and
- (d) the Capacity Year for which the cancellation of Capacity Credits assigned to the Facility will apply.

The proposed new clause will require the IMO to publish on the Market Web Site the details of any Facilities that have had their Capacity Credits cancelled, the associated timeframes for the cancellation and the reasons why.

4.20.13. Within 10 Business Days of making a decision, in accordance with clause 4.20.11, the IMO must publish on the Market Web Site the information specified in clause 4.20.12(a), (c) and (d).

The proposed new clause will clarify that where the IMO has made a decision under clause 4.20.12, it will cancel the Capacity Credits for a Facility for the relevant Capacity Year.

4.20.14. Where the IMO has made a decision to cancel the Capacity Credits assigned to a Facility in accordance with clause 4.20.11, the IMO must cancel the Capacity Credits assigned to the Facility for the Capacity Year specified in clause 4.20.12(d).

The proposed amendment to clause 4.25.12 will allow the IMO to use the information about the outcome of the Capacity Credit cancellation in its assessment of Certified Reserve Capacity, Capacity Credit assignment and setting obligations in the future. This will be similar to if a Facility had its Capacity Credits reduced through the normal testing process.

4.25.12. The IMO may use the results of tests under this clause 4.25, or a cancellation of Capacity Credits in accordance with clause 4.20.11 in respect of a Facility in assigning Certified Reserve Capacity and setting Reserve Capacity Obligation Quantities for the Facility for subsequent Reserve Capacity Cycles.

...

The proposed amendments to clause 4.27.10 and 4.27.10A will take into account the situation where a Facility has had its Capacity Credits cancelled. As currently drafted a Market Participant would not be required to provide the IMO with additional progress updates as they would no longer hold capacity credits.

4.27.10. Subject to clauses 4.27.11C and 4.27.10A, Market Participants ~~holding~~ assigned 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 Credit is confirmed under clause 4.20.

4.27.10A. Market Participants ~~holding~~ assigned 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.

The proposed amended clause will define the information specified in clause 4.20.12(a), (c) and (d) as being public information.

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):
 - i. Requests for Expressions of Interest described in clause 4.2.3 for the previous five Reserve Capacity Cycles;
 - ii. the summary of Requests for Expressions of Interest described in clause 4.2.7 for the previous five Reserve Capacity Cycles;
 - iii. the Reserve Capacity Information Pack published in accordance with clause 4.7.2 for the previous five Reserve Capacity Cycles;
 - iv. for each Market Participant holding Capacity Credits, the Capacity Credits provided by each Facility for each Reserve Capacity Cycle. In the case of a Market Participant with a Demand Side Programme, the IMO must publish the total Capacity Credits for the programme and not for each Curtailable Load comprising the programme;
 - v. the identity of each Market Participant from which the IMO procured Capacity Credits in the most recent Reserve Capacity Auction, and the total amount procured, where this information is to be published by January 7th of the year following the Reserve Capacity Auction;
 - vi. for each Special Price Arrangement for each Registered Facility:
 - 1. the amount of Reserve Capacity covered;
 - 2. the term of the Special Price Arrangement; and
 - 3. the Special Reserve Capacity Price applicable to the Special Price Arrangement,where this information is to be current as at, and published on, January 7th of each year;
 - vii. all Reserve Capacity Offer quantities and prices, including details of the bidder and facility, for a Reserve Capacity Auction, where this information is to be published by January 7th of the year following the Reserve Capacity Auction; and

- viii. reports summarising facility tests and reasons for delays in those tests, as required by clause 4.25.11.
- ix. The following annually calculated and monthly adjusted ratios:
 1. NTDL_Ratio as calculated in accordance with Appendix 5, STEP 8;
 2. TDL_Ratio as calculated in accordance with Appendix 5, STEP 8; and
 3. Total_Ratio as calculated in accordance with Appendix 5, STEP 10; and
- x. for a Facility that has had its Capacity Credits cancelled for the Capacity Year, the information specified in clause 4.20.12(a) and (d).

...

Chapter 11: Glossary

Notice of Intention to Cancel Capacity Credits: A notice issued by the IMO under clause 4.20.8 and containing the information required under clause 4.20.9.

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

The IMO considers the changes proposed to allow the IMO to cancel a Facility's Capacity Credits in a situation where the IMO does not consider will make its capacity available to the WEM for the entire Capacity Year will have the following impact on the Wholesale market Objectives:

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

For efficient markets, more information is always better than less, and all participants have access to unbiased, instant information on which they base their decisions. Cancelling Capacity Credits to reflect whether a Facility will not be available for an entire Capacity Year will enhance information available to the market regarding the true amount of Reserve Capacity available in the SWIS. This will enable the IMO to address any shortfall issues in a timely manner and thus allow the market objectives to better address market objective (a).

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

Costs:

- There will be some costs associated with the IMO's administration of the process for cancelling a Facility's Capacity Credits.

Benefits:

- Greater certainty of the level of true capacity available in the market.
- Removal of a burdensome requirement (which can last up to 3 years) on all Market Participant's associated with short pay arrangements.

APPENDIX 2: ADDITIONAL AMENDMENTS MADE BY THE IMO FOLLOWING THE FIRST SUBMISSION PERIOD

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

Proposed new clause 4.1.21A has been renumbered to 4.1.21B, as a different clause 4.1.21A was created by the commencement of the Rule Change Proposal: Certification of Reserve Capacity (RC_2010_14) on 8 July 2011.

4.1.21A~~B~~. If required under clause 4.20.8, the IMO must issue a Notice of Intention to Cancel Capacity Credits by 5PM of the last Business Day falling on or before 15 August of Year 3 of the relevant Reserve Capacity Cycle, where the notice relates to the Capacity Year that commences on 1 October of Year 3 of that Reserve Capacity Cycle.

The proposed reference to clause 4.20.11 in clause 4.12.6 has been changed to clause 4.20.14, as the actual cancellation of the Capacity Credits occurs under clause 4.20.14.

4.12.6. Subject to clause 4.12.7, any initial Reserve Capacity Obligation Quantity set in accordance with clauses 4.12.4, 4.12.5, 4.28B.4, or 4.28C.4 is to be reduced once the Reserve Capacity Obligations take effect, as follows:

- (a) if the aggregate MW equivalent to the quantity of Capacity Credits (as modified from time to time under the Market Rules) for a Facility is less than the Certified Reserve Capacity for that Facility at any time (for example as a result of the application of clause 4.20.1, clause ~~4.20.14~~ 4.20.14, clause 4.25.4 or clause 4.25.6), then the IMO must reduce the Reserve Capacity Obligation Quantity to reflect the amount by which the aggregate Capacity Credits fall short of the Certified Reserve Capacity;

...

The proposed new clause 4.13.1A was intended to align with the new clause 4.13.1A proposed at the time as part of the Rule Change Proposal: Reserve Capacity Security (RC_2010_12). The relevant clause was later renumbered to 4.13.1B in RC_2010_12, which commenced on 1 October 2011. As a result the clause 4.13.1A in this proposal has been replaced with an equivalent amendment to the (now) existing clause 4.13.1B.

~~4.13.1A The obligation under clause 4.13.1 to provide Reserve Capacity Security does not apply where the Market Participant has provided Reserve Capacity Security in relation to the same Facility for a previous Reserve Capacity Cycle, unless IMO has cancelled the Capacity Credits assigned to a Facility in accordance with clause 4.20.11.~~

4.13.1B~~2~~. The obligation under clause 4.13.1 to provide Reserve Capacity Security does not apply where the Market Participant has provided Reserve Capacity Security in relation to the same Facility for a previous Reserve Capacity Cycle, unless:

- (a) the Facility is an existing Facility undergoing significant maintenance or being upgraded; or
- (b) the IMO cancelled the Capacity Credits assigned to the Facility for that previous Reserve Capacity Cycle in accordance with clause 4.20.14.

Clause 4.20.8 has been updated to correct the clause cross-reference and to clarify that the IMO will only consider the cancellation of Capacity Credits for new Facilities that are yet to enter service (reflecting the stated intent of the proposal).

- 4.20.8. If, by the date and time specified in clause ~~4.1.21A~~ 4.1.21B, the IMO becomes aware that no capacity associated with the Capacity Credits assigned to a new Facility that is yet to enter service will be made available to the market for an entire Capacity Year, it must issue a Notice of Intention to Cancel Capacity Credits to the Market Participant for that Facility for that Capacity Year.
- 4.20.11. Where the IMO has issued a Notice of Intention to Cancel Capacity Credits, in accordance with clause 4.20.8, the IMO must, within 20 Business Days of issuing the Notice of Intention to Cancel Capacity Credits, decide whether it will cancel the Capacity Credits assigned to a the Facility for the Capacity Year.
- 4.20.12. Where the IMO makes a decision to cancel the Capacity Credits assigned to a Facility for the a Capacity Year in accordance with clause 4.20.11, it must notify the Market Participant of its decision within 5 Business Days, including:
 - (a) the details of the Facility;
 - (b) a response to all issues raised by the Market Participant in any submission made in accordance with clause 4.20.10;
 - (c) details of the evidence considered by the IMO in determining that no capacity associated with the Capacity Credits assigned to the Facility will be made available to the market for the entire Capacity Year; and
 - (d) the Capacity Year for which the cancellation of Capacity Credits assigned to the Facility will apply.

Clause 4.20.13 has been updated to clarify that the IMO will only publish details on the Market Web Site if its decision is to cancel the Capacity Credits of the Facility.

- 4.20.13. Within 10 Business Days of making a decision, in accordance with clause 4.20.11, to cancel the Capacity Credits assigned to a Facility the IMO must publish on the Market Web Site the information specified in clauses 4.20.12(a), (c) and (d).

New clause 4.20.15 describes the action the IMO must take if it decides not to cancel the Capacity Credits of a Facility.

- 4.20.15. Where the IMO has made a decision not to cancel the Capacity Credits assigned to a Facility for a Capacity Year in accordance with clause 4.20.11, it must notify the Market Participant of its decision within 5 Business Days.

The proposed amendments to clause 4.25.12 have been removed as they are not relevant to this section of the Market Rules (which relates to Reserve Capacity testing).

- 4.25.12. The IMO may use the results of tests under this clause 4.25, ~~or a cancellation of Capacity Credits in accordance with clause 4.20.14~~ in respect of a Facility in assigning Certified Reserve Capacity and setting Reserve Capacity Obligation Quantities for the Facility for subsequent Reserve Capacity Cycles.

The proposed amendments to clauses 4.27.10 and 4.27.10A have been removed as they are not required. If a new Facility still has Capacity Credits assigned for a future Capacity Year then there will be a continuing requirement to report progress, while if this is not the case then the market will have no further interest in the Facility and so will not require progress reports. Note that these clauses were amended by the Rule Change Proposal: Certification of Reserve Capacity (RC_2010_14). The amendments shown below restore the clauses to their current version.

- ~~4.27.10. Subject to clauses 4.27.11C and 4.27.10A, Market Participants assigned 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 Credit is confirmed under clause 4.20.~~

- 4.27.10. 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 Credit 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.

- ~~4.27.10A. Market Participants assigned 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.~~

- 4.27.10A. [Blank]

Clause 10.5.1(f) has been further amended to include the publication of the information specified in clause 4.20.12(c), reflect the changes resulting from the commencement of the Rule Change Proposal: Curtailable Loads and Demand Side Programmes (RC_2010_29) and correct a minor punctuation error.

- 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):
- i. Requests for Expressions of Interest described in clause 4.2.3 for the previous five Reserve Capacity Cycles;
 - ii. the summary of Requests for Expressions of Interest described in clause 4.2.7 for the previous five Reserve Capacity Cycles;
 - iii. the Reserve Capacity Information Pack published in accordance with clause 4.7.2 for the previous five Reserve Capacity Cycles;
 - iiiA. for each Market Participant that was assigned Certified Reserve Capacity, the level of Certified Reserve Capacity assigned to each to Facility for each Reserve Capacity Cycle;
 - iv. for each Market Participant holding Capacity Credits, the Capacity Credits provided by each Facility for each Reserve Capacity Cycle;
 - v. the identity of each Market Participant from which the IMO procured Capacity Credits in the most recent Reserve Capacity Auction, and the total amount procured, where this information is to be published by January 7th of the year following the Reserve Capacity Auction;
 - vi. for each Special Price Arrangement for each Registered Facility:
 1. the amount of Reserve Capacity covered;
 2. the term of the Special Price Arrangement; and
 3. the Special Reserve Capacity Price applicable to the Special Price Arrangement,where this information is to be current as at, and published on, January 7th of each year;
 - vii. all Reserve Capacity Offer quantities and prices, including details of the bidder and facility, for a Reserve Capacity Auction, where this information is to be published by January 7th of the year following the Reserve Capacity Auction;
 - viii. reports summarising facility tests and reasons for delays in those tests, as required by clause 4.25.11;
 - ix. the following annually calculated and monthly adjusted ratios:
 1. NTDL_Ratio as calculated in accordance with Appendix 5, STEP 8;
 2. TDL_Ratio as calculated in accordance with Appendix 5, STEP 8; and

3. Total_Ratio as calculated in accordance with Appendix 5, STEP 10; and
- x. for a Facility that has had its Capacity Credits cancelled for the Capacity Year, the information specified in clauses 4.20.12(a), (c) and (d).

...