

RULE CHANGE NOTICE

HEADS OF POWER FOR MRCP MARKET PROCEDURE (RC_2011_13)

This notice is given under clause 2.5.7 of the Market Rules.

Date Submitted: 24 October 2011

Submitter: Greg Ruthven, the Independent Market Operator (IMO)

THE PROPOSAL

Clause 4.16.3 of the Market Rules requires the IMO, Market Generators and Market Customers to follow the Maximum Reserve Capacity Price (MRCP) Market Procedure. The IMO proposes an amendment to clause 4.16.3 to ensure that Western Power is also required to follow this Market Procedure.

Appendix 1 contains the Rule Change Proposal and gives complete information about:

- the proposed amendment to the Market Rule;
- relevant references to the clause of the Market Rules and any proposed specific amendment to that clause; and
- the submitter's description of how the proposed amendment would allow the Market Rules to better address the Wholesale Market Objectives.

DECISION TO PROGRESS THE RULE CHANGE

The IMO has decided to progress the Rule Change Proposal on the basis that Rule Participants should be given an opportunity to provide submissions as part of the rule change process.

RULE CHANGE PROCESS

The IMO has decided to process this Rule Change Proposal using the Fast Track Rule Change Process, on the basis that it satisfies the criteria in clause 2.5.9(b) of the Market Rules.

Clause 2.5.9 states:

The IMO may subject a Rule Change Proposal to the Fast Track Rule Change Process if, in its opinion, the Rule Change Proposal:

- (a) is of a minor or procedural nature;*
- (b) is required to correct a manifest error; or*
- (c) is urgently required and is essential for the safe, effective and reliable operation of the market or the SWIS.*

The IMO considers that the proposed amendments to the Market Rules are required to correct a manifest error by which the heads of power for the Market Procedure does not align with the requirements specified in the Market Procedure (which directly reflect the original advice of the first MRCP Advisory Group).

The recommendation of the MRCP Advisory Group as detailed in its February 2008 Discussion Paper (available on the IMO website) was that “*Western Power should be requested to provide all transmission costing estimates for use in the determination of the Maximum Reserve Capacity Price*”. Subsequently, the IMO considers that the intent of the amendments recommended by the Advisory Group was for clause 4.16.3(a) to encompass Rule Participants, thereby allowing for Western Power to be requested to provide transmission costing estimates (as agreed by the Advisory Group) and required to provide this information under the Market Procedure. That is the obligations as currently outlined in the Market Procedure should be reflected in the Market Rules to ensure consistency with the Advisory Groups recommendations.

TIMELINE

The projected timelines for processing this proposal are:



CALL FOR SUBMISSIONS

Any Rule Participant wishing to be consulted regarding this Rule Change Proposal is invited to notify the IMO within 5 Business Days of this notice being published (**1 November 2011**). The consultation period is 15 Business Days from the publication date of this Rule Change Notice. Submissions must be delivered to the IMO by 5.00pm on **Tuesday 15 November 2011**.

Submissions should be made by email to market.development@imowa.com.au using the submission form available on the IMO website: <http://www.imowa.com.au/rule-changes>. Submissions may also be sent to the IMO by fax or post, addressed to:

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

Appendix 1

Wholesale Electricity Market Rule Change Proposal Form

Change Proposal No: RC_2011_13
Received date: 24 October 2011

Change requested by:

Name:	Greg Ruthven
Phone:	(08) 9254 4301
Fax:	(08) 9254 4399
Email:	greg.ruthven@imowa.com.au
Organisation:	IMO
Address:	Level 3, Governor Stirling Tower, 197 St Georges Terrace
Date submitted:	24 October 2011
Urgency:	Fast Track
Change Proposal title:	Heads of Power for MRCP Market Procedure
Market Rules affected:	Clause 4.16.3(a)

Introduction

Market Rule 2.5.1 of the Wholesale Electricity Market Rules provides that any person (including the IMO) may make a Rule Change Proposal by completing a Rule Change Proposal Form that must be submitted to the Independent Market Operator.

This Change Proposal can be posted, faxed or emailed to:

Independent Market Operator
Attn: Group Manager, Market Development
PO Box 7096
Cloisters Square, Perth, WA 6850
Fax: (08) 9254 4339
Email: market.development@imowa.com.au

The Independent Market Operator will assess the proposal and, within 5 Business Days of receiving this Rule Change Proposal form, will notify you whether the Rule Change Proposal will be further progressed.

In order for the proposal to be progressed, all fields below must be completed and the change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the wholesale electricity market objectives. The objectives of the market are:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- (c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.

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

Following the deliberations of the first Maximum Reserve Capacity Price (MRCP) Advisory Group¹ the IMO amended the Market Rules to shift the detail around the calculation of the MRCP out of the Market Rules and into a Market Procedure.

Issue

Clause 4.16.3 of the Market Rules requires that both the IMO and Market Participants must follow the Market Procedure. A “Market Participant” is defined as a Market Generator or Market Customer. The Market Procedure includes a number of obligations on Western Power which are necessary for the IMO to be able to

¹ For further details of the recommendations of the Advisory Group, please see the final report available at: http://www.imowa.com.au/PC_2008_06



determine the MRCP. However because Western Power is not a Market Participant it is not required to comply with the Market Procedure.

The IMO considers that the Rules ought to have provided for the Market Procedure to apply to the IMO and Rule Participants (which is defined so as to include Western Power) rather than to Market Participants.

Proposal

The IMO considers that the use of the term 'Market Participants' rather than 'Rule Participants' is a manifest error. The IMO proposes an amendment to clause 4.16.3 of the Market Rules to delete the phrase 'Market Participants' and replace it with Rule Participants to ensure the Market Procedure applies to Western Power.

The IMO signaled its intention to progress an amendment to the Market Rules to make this correction in the Procedure Change Report for the Procedure Change Proposal for Market Reserve Capacity Price (PC_2011_06). The Procedure Change Proposal amends the obligations on Western Power, in anticipation of this rule change being put forward. However the IMO notes that until clause 4.16.3 is amended the obligations in the Market Procedure on Western Power are potentially unenforceable.

A copy of the IMO's Procedure Change Report is available on the following webpage: http://www.imowa.com.au/PC_2011_06

2. Explain the reason for the degree of urgency:

The IMO submits that this Rule Change Proposal should be fast-tracked, on the basis that it satisfies the criteria in clause 2.5.9(b) of the Market Rules.

Clause 2.5.9 states:

The IMO may subject a Rule Change Proposal to the Fast Track Rule Change Process if, in its opinion, the Rule Change Proposal:

- (d) is of a minor or procedural nature;*
- (e) is required to correct a manifest error; or*
- (f) is urgently required and is essential for the safe, effective and reliable operation of the market or the SWIS.*

The proposed amendments to the Market Rules are required to correct a manifest error by which the heads of power for the Market Procedure does not align with the requirements specified in the Market Procedure.



The recommendation of the MRCP Advisory Group as detailed in its February 2008 Discussion Paper (available on the IMO website) was that “*Western Power should be requested to provide all transmission costing estimates for use in the determination of the Maximum Reserve Capacity Price*”. Accordingly, the IMO considers that the intent of the amendments recommended by the Advisory Group was for clause 4.16.3(a) to encompass Rule Participants. This would allow the IMO to require Western Power to provide transmission costing estimates (as agreed by the Advisory Group) under the Market Procedure.

The IMO notes that the proposed amendments will ensure obligations currently contained in the MRCP Market Procedure are enforceable.

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)

4.16.3 The IMO must develop a Market Procedure documenting the methodology it uses and the process it follows in determining the Maximum Reserve Capacity Price, and:

- (a) the IMO and Rule ~~Market~~ Participants must follow that documented Market Procedure when conducting any review and consultations in accordance with that Market Procedure and clause 4.16.6; and

...

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

The IMO considers that the proposed changes, which will improve the integrity of the Market Rules, are consistent with the Wholesale Market Objectives.

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

Costs:

No costs associated with implementing the proposed change have been identified.

Benefits:





The proposed change will correct a manifest error in the Market Rules and ensure that Western Power is encompassed in the intention of clause 4.16.3.

