



INDEPENDENT
MARKET
OPERATOR

Final Rule Change Report

Title: Assignment of Capacity Credits to Network Control Facilities

RC_2012_03

Standard Rule Change Process

Date: 6 August 2013

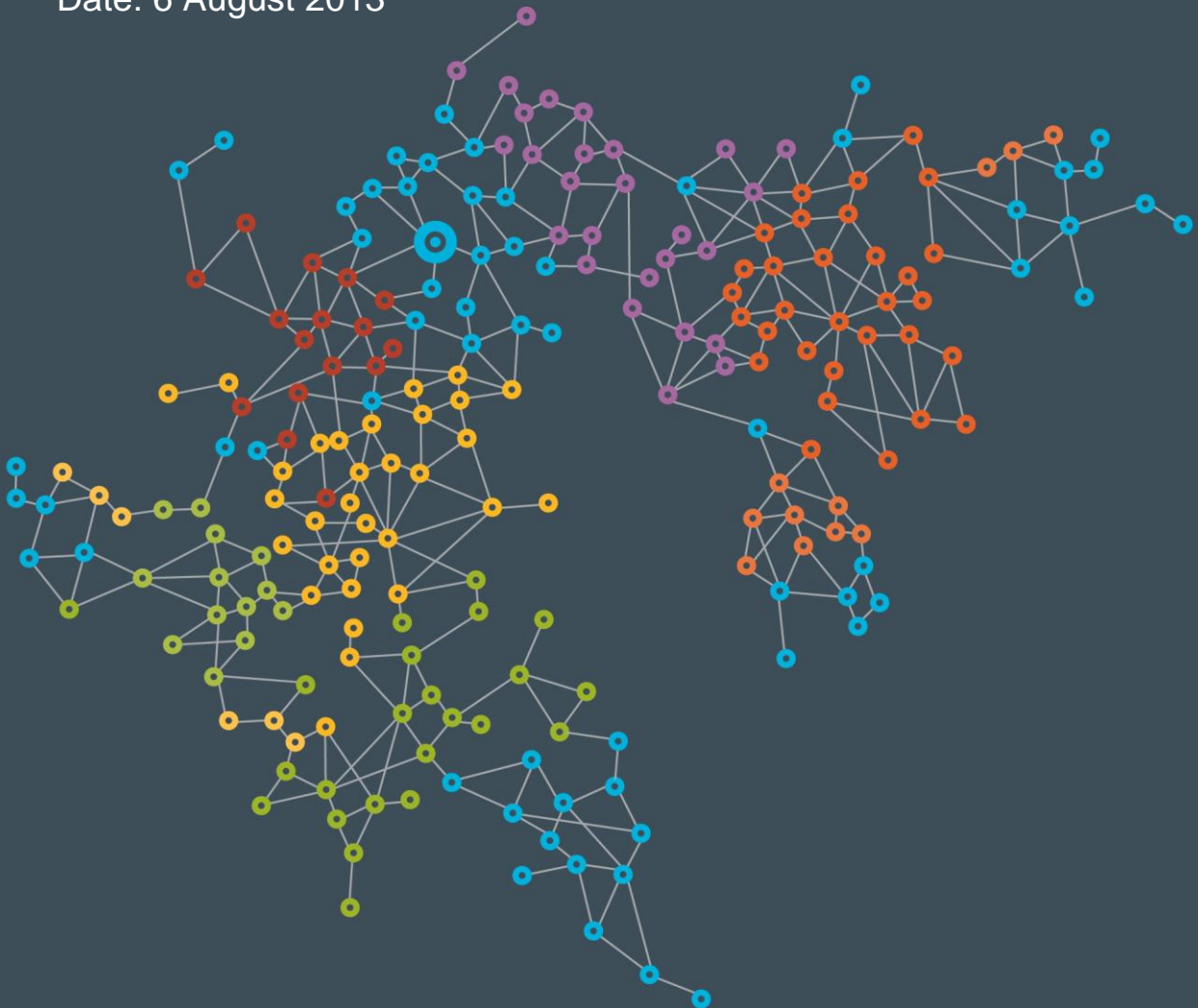


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Executive Summary

Proposed amendments

Under the Wholesale Electricity Market Rules (Market Rules), both Network Control Service (NCS) Facilities¹ and Facilities which are associated with a pre-existing Long Term Special Price Arrangement (LT-SPA) may be assigned Certified Reserve Capacity (CRC). However, due to an oversight in the Market Rules, neither is assigned Capacity Credits for their CRC under clause 4.20.5A, with the exception of a pre-existing LT-SPA where a bilateral trade has been made. The lack of assignment of Capacity Credits can result in a number of perverse incentives and inefficient outcomes, such as an inability for the IMO to include this capacity in the calculation of whether the Reserve Capacity Requirement will be met (as outlined in Appendix 3 of the Market Rules), potentially resulting in a false shortfall. In addition, the Market Rules currently provide inequitable requirements for the provision of Reserve Capacity Security for new and existing Facilities that enter into an NCS Contract.

The IMO submitted this Rule Change Proposal to amend the Market Rules so that both Facilities that are subject to an NCS Contract and those that are associated with a pre-existing LT-SPA with CRC are automatically assigned Capacity Credits. A number of additional amendments are also proposed that ensure the assigned capacity is properly considered in the Reserve Capacity Mechanism.

The IMO also proposes a number of amendments to address incorrect clause references and minor and typographical errors and improve the integrity of those clauses.

Consultation

The pre Rule Change Proposal was presented to the Market Advisory Committee (MAC) at the 18 April 2012 meeting. A number of issues were discussed at the meeting including the appropriateness of providing Capacity Credits to an NCS Facility, the role of an NCS Contract and Capacity Credits as inputs into Western Power's assessment of network solutions, and whether the costs for an NCS should be borne by the loads causing the need for the network upgrade.

On 7 February 2013, the IMO, Western Power, the Economic Regulation Authority and the Public Utilities Office met to discuss the issues raised at the MAC meeting and a number of practical aspects of the implementation of the pre Rule Change Proposal.

A revised proposal was presented to the MAC at the 20 March 2013 meeting. Western Power also outlined how Capacity Credits are taken into account in assessing investment options to address network constraints. At the conclusion of the discussion, the MAC agreed that the pre Rule Change Proposal should be formally submitted into the Standard Rule Change Process.

The Rule Change Proposal was submitted on 27 March 2013. The first submission period was held between 28 March and 13 May 2013. Submissions were received from Community Electricity, EnerNOC, ERM Power, Perth Energy, Synergy and Western Power. All submitters other than Synergy supported the Rule Change Proposal without further amendments.

¹ An NCS is a service provided by generation or Demand Side Management that can act as a substitute for transmission or distribution network upgrades (clause 5.1.1). NCS Facilities are capable of simultaneously providing network support, deferring the need for network expenditure, and providing Reserve Capacity to the market, either in the form of reduced demand or additional generation capacity.

Synergy agreed that Facilities under an LT-SPA should be automatically allocated Capacity Credits, but did not agree that this should apply to NCS Facilities. Instead, Synergy proposed to remove the requirement for NCS Facilities to register and apply for CRC.

The second submission period was held between 12 June 2013 and 9 July 2013. No submissions were made during this time.

Assessment against Wholesale Market Objectives

The IMO considers that the proposed amendments will improve the integrity of the Market Rules, better achieve Wholesale Market Objectives (a), (b) and (d) and are consistent with the remaining objectives.

Specifically, the proposed amendments will provide certainty to Market Participants that they will receive Capacity Credits for CRC that is subject to an NCS Contract or an LT-SPA. This will:

- encourage Market Participants to enter into NCS Contracts and locate in areas that assist the operation of the network, better promoting the economically efficient and reliable production and supply of electricity and electricity related services in the SWIS (Wholesale Market Objective (a));
- encourage and facilitate the entry of new capacity that will be subject to an NCS or an LT-SPA to the market, thereby increasing competition (Wholesale Market Objective (b)); and
- ensure that the long-term cost of electricity supplied is minimised by avoiding higher costs associated with procuring capacity in the event of a 'false' shortfall in capacity; and by reducing the overall cost of the combined network and energy costs by providing appropriate compensation and incentives for new Facilities that, by locating in a particular region, may avoid higher alternative network augmentation costs (Wholesale Market Objective (d)).

Practicality and cost of implementation

It is estimated that the required system development, testing and verification by the IMO will cost approximately \$14,500. No other significant costs were identified by stakeholders.

The IMO indicated that it is unlikely that the required system changes will be able to be implemented by the commencement date. However, the IMO has developed an interim manual solution to allow the Proposed Rule Change to commence by this date.

No other issues relating to the practicality of implementation were identified.

The IMO's decision

The IMO's proposed decision is to accept the Rule Change Proposal.

Next Steps

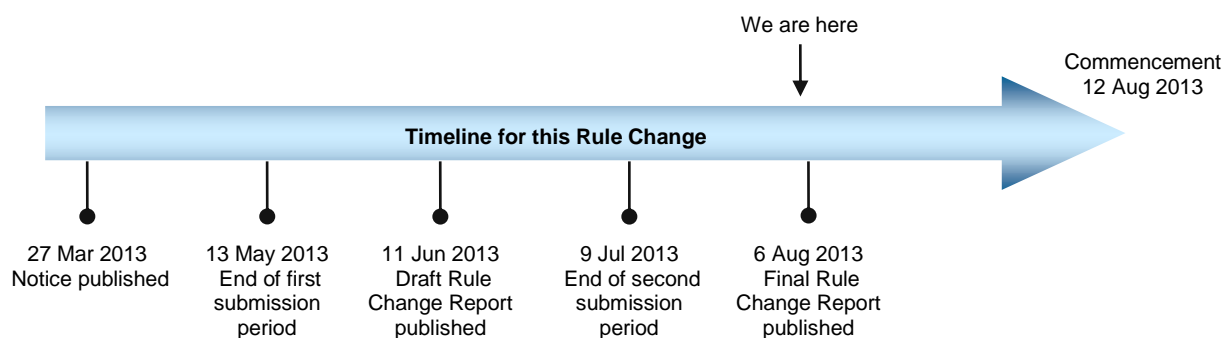
The Amending Rules will provisionally commence at **8.00 AM** on **12 August 2013**.

1. Rule Change Process and Timetable

On 27 March 2013, the IMO submitted a Rule Change Proposal regarding amendments to clauses 4.1.13, 4.13.9, 4.14.3, 4.14.10, 4.15.2 and 4.20.5A of the Wholesale Electricity Market (WEM) Rules (Market Rules).

This proposal is being processed using the Standard Rule Change Process, described in section 2.7 of the Market Rules.

The key dates in processing this Rule Change Proposal are:



2. Proposed Amendments

2.1. The Rule Change Proposal

A Network Control Service (NCS) is a service provided by generation or Demand Side Management that can act as a substitute for transmission or distribution network upgrades (clause 5.1.1). An NCS is provided by a Facility in accordance with an NCS Contract, which exists between the relevant Market Participant and the Network Operator.

NCS Facilities are capable of simultaneously providing network support, deferring the need for network expenditure, and providing Reserve Capacity to the market, either in the form of reduced demand or additional generation capacity. Further, these Facilities may be capable of providing this Reserve Capacity to the market in times when the NCS is not required by the network.

A Long Term Special Price Arrangement (LT-SPA) is designed to assist new Facilities entering the market in an auction situation to finance their project without Bilateral Contracts. Where capital costs exceeding 10 percent of the Maximum Reserve Capacity Price per MW are incurred in supplying new capacity, either from an upgrade of an existing Facility or from a new Facility, then that Facility is eligible for an LT-SPA. This allows the Market Participant to receive the (inflation adjusted) auction price it earns in the first year in each year the LT-SPA applies, which may be up to 10 years.

A holder of an LT-SPA is required to apply to have its capacity re-certified each year, and the guaranteed LT-SPA price will only be paid on the lesser of the capacity actually certified in each year and the original capacity upon which the LT-SPA was granted.

Due to an oversight in the Market Rules, although both NCS Facilities and Facilities which are associated with a pre-existing LT-SPA may be assigned CRC, neither are assigned Capacity

Credits for their CRC in clause 4.20.5A, with the exception of a pre-existing LT-SPA where a bilateral trade has been made. The lack of assignment of Capacity Credits can result in a number of perverse and inefficient outcomes. This includes an inability for the IMO to include this capacity in the calculation of whether the Reserve Capacity Requirement will be met (as outlined in Appendix 3 of the Market Rules), potentially resulting in a false shortfall. In addition, the Market Rules currently provide inequitable requirements for the provision of Reserve Capacity Security for new and existing Facilities that enter into an NCS Contract.

The Rule Change Proposal sought to amend the Market Rules so that both Facilities that are subject to an NCS Contract and those that are associated with a pre-existing LT-SPA with CRC are automatically assigned Capacity Credits. A number of additional amendments are also proposed that ensure the assigned capacity is properly considered in the Reserve Capacity Mechanism and to correct several clause references and typographical errors, and improve the overall integrity of the relevant sections of the Market Rules.

In summary, the IMO proposed to amend the relevant clauses so that:

- a Facility subject to an NCS Contract with CRC is automatically assigned Capacity Credits and does not enter the Reserve Capacity Auction;
- a Facility is automatically assigned Capacity Credits for CRC that is associated with a pre-existing LT-SPA;
- clause 4.13.9 specifies the date by which Reserve Capacity Security must be provided for a new NCS Facility and the cross references to 4.1.13 in this clause are corrected; and
- clause 4.15.2 considers capacity associated with NCS Facilities and LT-SPAs in the calculation of the Reserve Capacity Auction Requirement so that it aligns with Appendix 3 of the Market Rules.

For full details of the Rule Change Proposal please refer to the Market Web Site: http://www.imowa.com.au/RC_2012_03

2.2. The IMO's Initial Assessment of the Proposal

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

3. Consultation

3.1. The Market Advisory Committee

The pre Rule Change Proposal was initially presented to the Market Advisory Committee (MAC) on 18 April 2012². An overview of the key points raised during the meeting is given below:

- Mr Corey Dykstra queried why the market and not the network users should bear the costs of Capacity Credits assigned to NCS Facilities when an NCS contract is conceptually a replacement for a network solution. Mr Dykstra suggested that either the marginal load that

² MAC Meeting No. 48 Final Minutes (18 April 2012), available at: http://www.imowa.com.au/MAC_48

triggers the need for the network upgrade or more generally the users of that network should pay for the transmission network upgrade through network charges. In response, the Chair noted that regardless of whether the IMO allocated Capacity Credits to an NCS Facility, the loads requiring NCS would still need to be provided energy by the market and the IMO would need to procure sufficient capacity to cover that requirement. If Capacity Credits were not allocated to the NCS Facility then the IMO would need to secure additional capacity to meet the relevant loads. This would effectively increase the costs of procuring capacity to the market.

- Mr Geoff Gaston noted that if a Facility in another area was available to meet peak demand, but could not supply the load because of a network constraint, then additional costs would be incurred by the market to procure capacity to meet that load. Alternatively, if Western Power procured an NCS Contract from a Facility which had offered a reduced contract price in the expectation that it would also receive income from Capacity Credits then the price offered by the NCS Facility would be lower than its actual costs of capacity provision. Western Power's assessment of whether or not to enter into an NCS contract would then be based on an artificially low NCS price; and therefore decision making on whether to build an upgrade to overcome the network constraint would potentially be distorted. He added that the need for an NCS Facility when there was already another Market Generator on the grid potentially able to supply the load was indicative of a delivery issue not a demand issue.
- Mr Dykstra noted that the original market design document had an availability payment and dispatch payment for an NCS contract which he considered makes more sense.
- The IMO confirmed its view that providing NCS Facilities with Capacity Credits would be an appropriate way to ensure their inclusion in the total amount of capacity available to the market. However, in light of the issues discussed at the MAC meeting, the IMO would consider the treatment of NCS Facilities further with key stakeholders (see outcomes in Section 3.2) and present a revised proposal at a future MAC meeting.

On 20 March 2013, a revised pre Rule Change Proposal was presented to the MAC³. The revised proposal addressed concerns raised at the 18 April 2012 MAC meeting, in particular the issue of the appropriateness of the market paying Capacity Credits for NCS Facilities.

In addition to this, Mr Noel Ryan outlined Western Power's view on the issues discussed at the April 2012 meeting focusing on how Capacity Credits are taken into account in assessing investment options to address network constraints.

Mr Ryan outlined the purpose of the New Facilities Investment Test (NFIT) that Western Power must apply to capital expenditure under section 6.52 of the *Electricity Networks Access Code 2004*, noting that it is based on the need to minimise costs. He also noted that the NFIT requires consideration of net benefits from a market perspective; that includes generation, transport, and end consumers, rather than from a Western Power perspective only.

³ MAC Meeting No. 58 Final Minutes (20 March 2013), available at: http://www.imowa.com.au/MAC_58

The MAC agreed that the pre Rule Change Proposal should be submitted into the formal Standard Rule Change Process.

3.2. Public Forums and Workshops

On 7 February 2013, the IMO, Western Power, the Economic Regulation Authority and the Public Utilities Office met to discuss in more detail the issues raised at the MAC meeting. In addition to discussing several of the issues covered in the April 2012 MAC meeting further, the meeting also covered a number of more practical aspects of the implementation of the proposed rule change including:

- **Ability for Facilities to provide both NCS and Reserve Capacity** – It was agreed that Facilities are able to provide both services and that this ability should be recognised in the Market Rules. The IMO clarified that it considers it would be beneficial to the market to use Facilities in both capacities and that Facilities should be compensated for the services provided.
- **Current requirements for NCS Facilities to apply for CRC** – The IMO clarified that NCS Facilities are currently required to register and apply for CRC. The consensus view was that it was likely that an NCS Facility would apply for CRC, but that the risk of a ‘false’ shortfall would remain if there was no specific requirement in the Market Rules. It was agreed that the requirement for NCS Facilities to apply for CRC should be retained.
- **Benefit of assigning Capacity Credits to NCS Facilities** – It was agreed that assigning Capacity Credits to these Facilities (provided that they satisfy the requirements for CRC) would benefit the market. It was agreed that an NCS Facility can provide Reserve Capacity in the same way as other Facilities. This would avoid the potential adverse outcome of a ‘false’ shortfall in Reserve Capacity. In this scenario, additional capacity would need to be procured by the IMO at a potentially higher cost to the market. Further, it is possible for existing Market Participants which have already been assigned Capacity Credits to enter into an NCS Contract. It was agreed that it would not be appropriate for an existing Facility to no longer receive Capacity Credits simply because it has secured an NCS Contract.
- **Appropriate compensation mechanisms** – The consensus view was that the Reserve Capacity available from an NCS Facility would benefit the market in the same manner that Reserve Capacity from a non-NCS Facility provides a benefit. As such, the market should provide compensation for this in the same manner as other Facilities. The scenario where an existing Facility secured an NCS Contract was considered and it was agreed that it would be perverse for the market to stop paying that Facility merely because of the existence of the NCS Contract. Although not directly related, Western Power also advised at the workshop that it is required to consider all costs and benefits to all stakeholders in the market when assessing network solutions. As such, it was agreed that the cost of Capacity Credits would be considered in network constraint assessments regardless of who bore the costs of Capacity Credits.

The outcomes of this workshop were discussed further at the 20 March 2013 MAC meeting and subsequently incorporated into the development of the Rule Change Proposal.

3.3. Submissions received during the first submission period

The first submission period for this Rule Change Proposal was held between 28 March and 13 May 2013. Submissions were received from Community Electricity, EnerNOC, ERM Power, Perth Energy, Synergy and Western Power.

All submitting parties other than Synergy supported the Rule Change Proposal.

Community Electricity supported the Rule Change Proposal on the grounds that it harmonised the participation of NCS Facilities in the Reserve Capacity Mechanism. EnerNOC and Western Power also noted that the changes, as proposed, will remove uncertainty around NCS and should make it more likely that an NCS arrangement will occur. Perth Energy and ERM Power welcomed the proposal to rectify some of the inconsistencies relating to the treatment of CRC for these Facilities and noted that this would avoid the understatement of available existing capacity resulting in over-investment.

In its submission, Synergy supported the automatic assignment of capacity credits to LT-SPA Facilities but not NCS Facilities. Instead, Synergy proposed to remove the requirement for NCS Facilities to register and apply for CRC. In the Draft Rule Change Report, the IMO disagreed with Synergy's proposal on the basis that these requirements ensure that all available capacity is considered for the calculation of the Reserve Capacity Requirement, and bid into the market, thereby ensuring there is not a 'false' shortage.

A copy of all submissions received during the first submission period is available on the Market Web Site: http://www.imowa.com.au/RC_2012_03.

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

The IMO's responses to submissions received during the first submission period are detailed in Section 4.4 of the Draft Rule Change Report available on the Market Web Site: http://www.imowa.com.au/RC_2012_03.

3.5. Submissions received during the second submission period

Following publication of the Draft Rule Change Report on the Market Web Site, the second submission period was held between 12 June 2013 and 9 July 2013.

No submissions were made during this period.

4. The IMO's Draft Assessment

The IMO's draft assessment, against clauses 2.4.2 and 2.4.3 of the Market Rules, and analysis of the Rule Change Proposal can be viewed in the Draft Rule Change Report available on the Market Web Site: http://www.imowa.com.au/RC_2012_03.

5. The IMO's Proposed Decision

The IMO's proposed decision was to accept the Rule Change Proposal as specified in the Rule Change Notice and Proposal.

The wording of the relevant Amending Rules was presented in section 7 of the Draft Rule Change Report.

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

- will improve the integrity of the Market Rules and better achieve Wholesale Market Objectives (a), (b) and (d);
- are consistent with the remaining Wholesale Market Objectives
- have the support of MAC members; and
- have received in-principle support of most submissions received during the first submission period.

6. 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. A summary of the views expressed in submissions and by the MAC is available in section 3 of this Final Rule Change Report.

The IMO's assessment of the Rule Change Proposal is outlined in the following sub-sections.

6.1. Additional Amendments to the Amending Rules

Following the second submission period, the IMO has reviewed the proposed drafting and made some additional changes to the proposed Amending Rules. These changes are intended to provide:

- further clarity in clause 4.14.10 regarding the quantity of CRC that must be made available by each Market Participant, with respect to each Facility, if a Reserve Capacity Auction is held; and
- greater transparency around the IMO's process for determining the quantity of Capacity Credits to each Facility currently specified under clause 4.20.5A, to clearly specify the

process for each scenario, by separating the obligations under four individual clauses. It should be noted that the new clause 4.20.5B will apply in three instances, where:

- i. no Reserve Capacity Auction is held;
- ii. a Reserve Capacity Auction is held but the Market Participant does not participate in the auction; or
- iii. a Reserve Capacity Auction is held and the Market Participant participated but was unsuccessful.

The IMO has also made additional changes to improve the integrity of the Amending Rules.

These changes to the Amending Rules are outlined in Appendix 1 of this report.

6.2. Wholesale Market Objectives

The IMO considers that the Market Rules as a whole, if amended as presented in section 8.2, will not only be consistent with the Wholesale Market Objectives but also allow the Market Rules to better achieve Wholesale Market Objectives (a), (b) and (d) by providing certainty to Market Participants that they will receive Capacity Credits for CRC that is subject to an NCS Contract or an LT-SPA.

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 proposed amendments are expected to encourage Market Participants to enter into NCS Contracts and locate in areas that assist the operation of the network, better promoting the economically efficient and reliable production and supply of electricity and electricity related services in the SWIS.

(b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors

The automatic allocation of Capacity Credits to NCS and LT-SPA Facilities will encourage and facilitate the entry of new capacity of this type to the market, thereby increasing competition.

(d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system

The proposed amendments will ensure that the long-term cost of electricity supplied is minimised by: avoiding higher costs associated with procuring capacity in the event of a 'false' shortfall in capacity; and reducing the overall cost of the combined network and energy costs by providing appropriate compensation and incentives for new Facilities that, by locating in a particular region, may avoid higher alternative network augmentation costs.

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

6.3. Practicality and Cost of Implementation

6.3.1. Cost:

The IMO has estimated that the required WEM System development, testing and verification will cost approximately \$14,500. This will provide for the:

- determination of the Facilities that are eligible to be assigned Capacity Credits;
- verification that the Facilities with existing (and effective) NCS Contracts and LT-SPAs are recorded correctly in the system;
- assignment of these Facilities' Capacity Credits as a first order priority when undertaking the assignment process for Facilities in Availability Class 1 within the calculation; and
- resulting amendments to the Capacity Credit allocation calculation in WEMS and testing.

No other significant costs were identified by stakeholders.

6.3.2. Practicality:

The proposed Amending Rules are intended to commence on 12 August 2013 to be in place for the 2013 Capacity Cycle. Following further analysis, the IMO has indicated that it is unlikely that the required system changes will be able to be implemented by this date. However, the IMO has developed an interim manual solution to allow the proposed rule change to commence by this date.

No other issues relating to the practicality of implementation were identified.

7. The IMO's Decision

Based on the matters set out in this report, the IMO's decision is to accept the Rule Change Proposal.

7.1. Reasons for the decision

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

- will improve the integrity of the Market Rules and better achieve Wholesale Market Objectives (a), (b) and (d);
- are consistent with the remaining Wholesale Market Objectives
- have the support of MAC members; and
- have received in-principle support of most submissions received during the first submission period.

Additional detail outlining the analysis behind the IMO decision is outlined in section 6 of this Final Rule Change Report.

8. Amending Rules

8.1. Commencement

The amendments to the Market Rules resulting from this Rule Change Proposal will provisionally commence at **8.00 am** on **12 August 2013**.

8.2. Amending Rules

The IMO has decided to implement the following Amending Rules (~~deleted text~~, added text):

- 4.1.13. Each Market Participant must provide to the IMO any Reserve Capacity Security required in accordance with clause 4.13.1 not later than 5:00 PM of the last Business Day falling on or before:
- (a) for Reserve Capacity Cycles up to and including 2010:
 - 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:
 - (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 if the Facility is subject to a Network Control Service Contract; 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).
- 4.13.9. If a Market Participant does not comply with clause 4.13.1 in full by the date and time specified in:
- (a) clause 4.1.13(a)(i) or clause 4.1.13(b)(i), as applicable, in the case of a Facility with Certified Reserve Capacity specified to be traded bilaterally in accordance with clause 4.14.1(c) or a Facility subject to a Network Control Service Contract; or

- (b) ~~clause 4.1.13(b)~~ 4.1.13(a)(ii) or clause 4.1.13(b)(ii), as applicable, in the case of a Facility with Certified Reserve Capacity 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),

for the Reserve Capacity Cycle to which the certification relates, the Certified Reserve Capacity ~~assigned to~~ of that Facility will lapse for the purposes of these Market Rules (including for the purposes of setting the Reserve Capacity Obligation Quantity).

4.14.3. A Market Participant ~~may~~ must not make a submission under clause 4.14.1 with respect to a Facility subject to a Network Control Service Contract.

~~4.14.10. A Market Participant must make available in any Reserve Capacity Auction held in accordance with clause 4.15 any Certified Reserve Capacity it holds for a Facility, except to the extent that:~~

- ~~(a) clause 4.14.8 applies;~~
~~(b) the Certified Reserve Capacity is covered by a pre-existing Long Term Special Price Arrangement; or~~
~~(c) IMO has notified the Market Participant in accordance with clause 4.14.9 that the Certified Reserve Capacity can be traded bilaterally.~~

4.14.10. If:

- (a) a Reserve Capacity Auction is not cancelled under clause 4.15; and
(b) a Market Participant holding Certified Reserve Capacity for the relevant Reserve Capacity Cycle has specified a non-zero amount for a Facility under clause 4.14.1(c),

then that Market Participant must make a quantity of Certified Reserve Capacity available in the Reserve Capacity Auction, where the quantity of Certified Reserve Capacity for each of the Market Participant's Facilities is determined as follows:

- (c) if the Facility is subject to a Network Control Service Contract – zero; and
(d) if the Facility is not subject to a Network Contract Service Contract:
- (i) the quantity of Certified Reserve Capacity that the IMO has assigned to the Facility under clause 4.11; less
(ii) the quantity of Certified Reserve Capacity assigned to the Facility that will not be made available to the market for one of the reasons specified in clause 4.14.8; less
(iii) the quantity of Certified Reserve Capacity assigned to the Facility that the IMO has notified the Market Participant, under clause 4.14.9, can be traded bilaterally; less

(iv) the quantity of Certified Reserve Capacity assigned to the Facility that is covered by a pre-existing Long Term Special Price Arrangement.

4.15.2. If the Reserve Capacity Auction for a Reserve Capacity Cycle is not cancelled in accordance with clause 4.15.1, then, by the date and time specified in clause 4.1.16, the IMO must publish a notice specifying:

- (a) that the Reserve Capacity Auction will be held;
- (b) the Reserve Capacity Auction Requirement, where this equals the
 - i. Reserve Capacity Requirement; less
 - ii. the total amount of Certified Reserve Capacity which the IMO has notified Market Participants can be traded bilaterally under clause 4.14.9 or is covered by a pre-existing Long Term Special Price Arrangement; less
 - iii. the amount of Capacity Credits assigned under clause 4.28C for the relevant Reserve Capacity Cycle; and less
 - iv. the total amount of Certified Reserve Capacity assigned to Facilities that are subject to a Network Control Service Contract; and
- (c) the amount of Reserve Capacity required to be procured via the auction from each Availability Class.

~~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.~~

4.20.5A. The IMO must:

- (a) assign a quantity of Capacity Credits to each Facility, where the quantity is determined in accordance with clause 4.20.5B, clause 4.20.5C or clause 4.20.5D, as applicable to the relevant Facility; and
- (b) publish the quantity of Capacity Credits assigned to each Facility:
- (i) if a Reserve Capacity Auction is cancelled under clause 4.15.1 – by the date and time specified in clause 4.1.16; and
 - (ii) if a Reserve Capacity Auction is not cancelled under clause 4.15.1 – by the date and time specified in clause 4.1.21A.

4.20.5B. If a Market Participant did not have a Reserve Capacity Offer scheduled, then the quantity of Capacity Credits assigned to each of that Market Participant's Facilities is determined as follows:

- (a) if the Facility is subject to a Network Control Service Contract – the same quantity as the quantity of Certified Reserve Capacity assigned to that Facility under clause 4.9.9(a); and
- (b) if:
- 1. the Market Participant specified a non-zero amount for the Facility under clause 4.14.1(c); or
 - 2. the Facility is covered by a pre-existing Long Term Special Price Arrangement,
- then the quantity of Capacity Credits is the sum of:
- 3. the quantity specified by the Market Participant for that Facility under clause 4.14.1(b); and
 - 4. the quantity specified by the IMO for that Facility under clause 4.14.9.

4.20.5C. If:

- (a) a Reserve Capacity Auction is not cancelled under clause 4.15.1;
- (b) one or more of a Market Participant's Reserve Capacity Offers is scheduled under clause 4.19.4;
- (c) that Market Participant notifies the IMO of the information specified in clause 4.20.1 by the date and time specified in clause 4.1.20; and
- (d) the IMO accepts the notification under clause 4.20.2,

then the quantity of Capacity Credits assigned to each of that Market Participant's Facilities is the same as the quantity notified for the relevant Facility under clause 4.20.1(a).

4.20.5D. If:

- (a) a Reserve Capacity Auction is not cancelled under clause 4.15.1;
- (b) one or more of a Market Participant's Reserve Capacity Offers is scheduled under clause 4.19.4; and
- (c) the Market Participant does not notify the IMO of the information specified in clause 4.20.1 by the date and time specified in clause 4.1.20,

then the IMO must not assign any Capacity Credits to that Market Participant.

Appendix 1. Further Amendments to the Proposed Amending Rules

The IMO has made a number of additional amendments following the second submission period to improve clarity of the Amending Rules. The change is as follows: (~~deleted text~~, added text):

- 4.1.13. Each Market Participant must provide to the IMO any Reserve Capacity Security required in accordance with clause 4.13.1 not later than 5:00 PM of the last Business Day falling on or before:
- (a) for Reserve Capacity Cycles up to and including 2010:
 - 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:
 - (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 if the Facility is subject to a Network Control Service Contract; 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).
- 4.13.9. If a Market Participant does not comply with clause 4.13.1 in full by the date and time specified in:
- (a) clause 4.1.13(a)(i) or clause 4.1.13(b)(i), as applicable, in the case of a Facility with Certified Reserve Capacity specified to be traded bilaterally in accordance with clause 4.14.1(c) or a Facility subject to a Network Control Service Contract; or
 - (b) clause 4.1.13(a)(ii) or clause 4.1.13(b)(ii), as applicable, in the case of a Facility with Certified Reserve Capacity 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),

for the Reserve Capacity Cycle to which the certification relates, the Certified Reserve Capacity assigned to of that Facility will lapse for the purposes of these Market Rules (including for the purposes of setting the Reserve Capacity Obligation Quantity).

~~4.14.10. A Market Participant must make available in any Reserve Capacity Auction held in accordance with clause 4.15 any Certified Reserve Capacity it holds for a Facility, except to the extent that:~~

- ~~(a) clause 4.14.8 applies;~~
- ~~(b) the Certified Reserve Capacity is covered by a pre-existing Long Term Special Price Arrangement; or~~
- ~~(c) the IMO has notified the Market Participant in accordance with clause 4.14.9 that the Certified Reserve Capacity can be traded bilaterally; or~~
- ~~(d) the Certified Reserve Capacity is issued to a Facility that is subject to a Network Control Service Contract.~~

4.14.10. If:

- (a) a Reserve Capacity Auction is not cancelled under clause 4.15; and
- (b) a Market Participant holding Certified Reserve Capacity for the relevant Reserve Capacity Cycle has specified a non-zero amount for a Facility under clause 4.14.1(c),

then that Market Participant must make a quantity of Certified Reserve Capacity available in the Reserve Capacity Auction, where the quantity of Certified Reserve Capacity for each of the Market Participant's Facilities is determined as follows:

- (c) if the Facility is subject to a Network Control Service Contract – zero; and
- (d) if the Facility is not subject to a Network Contract Service Contract:
 - (i) the quantity of Certified Reserve Capacity that the IMO has assigned to the Facility under clause 4.11; less
 - (ii) the quantity of Certified Reserve Capacity assigned to the Facility that will not be made available to the market for one of the reasons specified in clause 4.14.8; less
 - (iii) the quantity of Certified Reserve Capacity assigned to the Facility that the IMO has notified the Market Participant, under clause 4.14.9, can be traded bilaterally; less
 - (iv) the quantity of Certified Reserve Capacity assigned to the Facility that is covered by a pre-existing Long Term Special Price Arrangement.

~~4.20.5A. Where a Reserve Capacity Auction is:~~

- ~~(a) cancelled under clause 4.15.1 the IMO must assign Capacity Credits:~~

- i. ~~to each Facility included in a notification under clause 4.14.9, where the quantity of Capacity Credits assigned will equal the quantity in the notification.;~~
 - ii. ~~to each Facility assigned Certified Reserve Capacity that is subject to a Network Control Service Contract, where the quantity of Capacity Credits assigned will equal the quantity specified under clause 4.9.9(a); and~~
 - iii. ~~to each Facility assigned Certified Reserve Capacity with a pre-existing Long Term Special Price Arrangement, where the quantity of Capacity Credits assigned will equal the quantity specified under clause 4.14.1(b);~~
- ~~and 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), where 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, where 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.;~~
 - iii. ~~to each Facility assigned Certified Reserve Capacity that is subject to a Network Control Service Contract, where the quantity of Capacity Credits assigned will equal the quantity specified under clause 4.9.9(a); and~~
 - iv. ~~to each Facility assigned Certified Reserve Capacity with a pre-existing Long Term Special Price Arrangement, where the quantity of Capacity Credits assigned will equal the quantity specified under clause 4.14.1(b);~~
- ~~and 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.~~

4.20.5A. The IMO must:

- (a) assign a quantity of Capacity Credits to each Facility, where the quantity is determined in accordance with clause 4.20.5B, clause 4.20.5C or clause 4.20.5D, as applicable to the relevant Facility; and
- (b) publish the quantity of Capacity Credits assigned to each Facility;

- (i) if a Reserve Capacity Auction is cancelled under clause 4.15.1 – by the date and time specified in clause 4.1.16; and
- (ii) if a Reserve Capacity Auction is not cancelled under clause 4.15.1 – by the date and time specified in clause 4.1.21A.

4.20.5B. If a Market Participant did not have a Reserve Capacity Offer scheduled, then the quantity of Capacity Credits assigned to each of that Market Participant's Facilities is determined as follows:

(a) if the Facility is subject to a Network Control Service Contract – the same quantity as the quantity of Certified Reserve Capacity assigned to that Facility under clause 4.9.9(a); and

(b) if:

1. the Market Participant specified a non-zero amount for the Facility under clause 4.14.1(c); or
2. the Facility is covered by a pre-existing Long Term Special Price Arrangement,

then the quantity of Capacity Credits is the sum of:

3. the quantity specified by the Market Participant for that Facility under clause 4.14.1(b); and
4. the quantity specified by the IMO for that Facility under clause 4.14.9.

4.20.5C. If:

- (a) a Reserve Capacity Auction is not cancelled under clause 4.15.1;
- (b) one or more of a Market Participant's Reserve Capacity Offers is scheduled under clause 4.19.4;
- (c) that Market Participant notifies the IMO of the information specified in clause 4.20.1 by the date and time specified in clause 4.1.20; and
- (d) the IMO accepts the notification under clause 4.20.2,

then the quantity of Capacity Credits assigned to each of that Market Participant's Facilities is the same as the quantity notified for the relevant Facility under clause 4.20.1(a).

4.20.5D. If:

- (a) a Reserve Capacity Auction is not cancelled under clause 4.15.1;
- (b) one or more of a Market Participant's Reserve Capacity Offers is scheduled under clause 4.19.4; and

(c) the Market Participant does not notify the IMO of the information specified in clause 4.20.1 by the date and time specified in clause 4.1.20,
then the IMO must not assign any Capacity Credits to that Market Participant.