



INDEPENDENT
MARKET
OPERATOR

Wholesale Electricity Market Submission to Rule Change Proposal

RC_2012_07 Loss Factor Determination

Submitted by

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Submission

Submissions for Rule Changes should be submitted to:

Independent Market Operator

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1. Please provide your views on the proposal, including any objections or suggested revisions.

Further to the consultation on civil penalties for RC_2012_07, the IMO has requested further submissions on which, if any, of clauses 2.27.1, 2.27.6, 2.27.10, 2.27.12, 2.27.13, 2.27.14, 2.27.15(e) and 2.27.15(g) should be subject to category A civil penalties.

In line with Western Power's previous submission (dated 30 April 2013), we propose that the category A civil penalty be transferred from clause 2.27.1 to 2.27.6, as clause 2.27.6 now more closely matches the original intent of the civil penalty which relates to the due date for the loss factors.

We propose that no further civil penalties be created as:

1. Our understanding is that the intention of civil penalties is to prevent market failures or consequences that cannot be mitigated. Other than clause 2.27.6, it is Western Power's view



that no other clause will result in a market failure or has consequences that cannot be mitigated, and therefore do not meet the requirements for imposition of a penalty.

2. While the remaining clauses under consideration are important, previously there were close variants of these clauses and it was not considered that more than one civil penalty was required. As such, there does not seem to be justification for having further civil penalties imposed now.
3. Increasing the number of civil penalties will increase the cost of compliance for the network operator and the IMO. This will ultimately increase costs for the market and for all electricity users. This is not in accordance with WEM Objective (a).
4. There have been no instances of use of the existing civil penalty for the original clause 2.27.1, indicating that there is no compliance driver for further civil penalty clauses.

2. Please provide an assessment whether the change will better facilitate the achievement of the Market Objectives.

The original proposal to transition the civil penalty from clause 2.27.1 to 2.27.6 will facilitate the achievement of Market Objective (a), to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system.

3. Please indicate if the proposed change will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.

Introducing further civil penalties will increase the costs of compliance for Western Power. Ultimately this will increase costs for the Market and for all users of electricity.

4. Please indicate the time required for your organisation to implement the change, should it be accepted as proposed.

No implementation is required should our proposal be followed.
