



Rule Change Notice: Documentation of the Long Term PASA for the 2014 Reserve Capacity Cycle (RC_2015_04)

This notice is given under clause 2.5.7 of the Wholesale Electricity Market Rules (Market Rules).

Submitter: Kate Ryan, IMO

Date submitted: 23 March 2015

The Rule Change Proposal

On 29 April 2014, the IMO received a Ministerial Direction to defer some of the processes related to the 2014 Reserve Capacity Cycle by 12 months in accordance with clause 4.1.32 of the Market Rules. This direction did not apply to the Electricity Statement of Opportunities Report (ESOO).

Under section 4.5 of the Market Rules, the IMO must annually conduct the Long Term PASA (LT PASA) to determine the Reserve Capacity Target for each year of the LT PASA Study Horizon and prepare the ESOO for each Reserve Capacity Cycle. The IMO therefore progressed the Rule Change Proposal: Specific Transition Provisions for the 2014 Reserve Capacity Cycle (RC_2014_04)¹ to introduce transitional provisions in section 1.12 of the Market Rules to also defer the determination of the LT PASA and the publication ESOO for the 2014 Reserve Capacity Cycle by 12 months.

The IMO drafted the transition provision in clause 1.12.1 of the Market Rules on the basis that the IMO would publish the LT PASA in the ESOO for the 2015 Reserve Capacity Cycle. However, on 13 March 2015, the IMO received a Ministerial Direction to defer the 2015 Reserve Capacity Cycle, including the ESOO. As the timeframe for publishing the 2014 LT PASA and Reserve Capacity Requirement was only intended to be extended by 12 months, the IMO proposes to amend clause 1.12.1 of the Market Rules to allow the IMO to publish the LT PASA in the ESOO published in Year 2 of the 2014 Reserve Capacity Cycle (i.e 2015).

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

- the proposed amendments to the Market Rules;
- relevant references to the Market Rules and any proposed specific amendments to those clauses; and
- the submitter's description of how the proposed amendments would allow the Market Rules to better address the Wholesale Market Objectives.

¹ Available at: www.imowa.com.au/RC_2014_04.

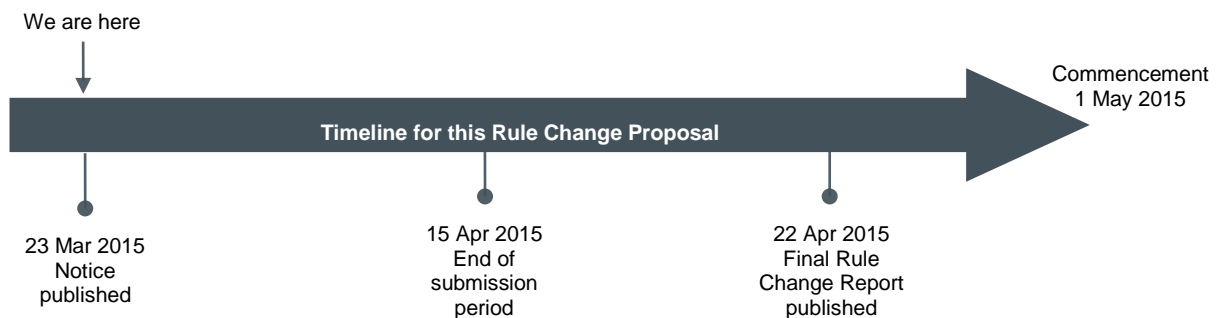
Decision to progress the Rule Change Proposal

The IMO has decided to progress this Rule Change Proposal on the basis that it considers, as outlined in section 4 of the Rule Change Proposal, that it will better achieve Wholesale Market Objective (a) and is consistent with the remaining objectives. Therefore, the IMO considers that stakeholders should be given an opportunity to provide submissions as part of the rule change process.

The IMO proposes to progress this Rule Change Proposal under the Fast Track Rule Change Process on the basis that it satisfies the criteria under clauses 2.5.9(b) and (c) of the Market Rules. The IMO considers the proposed Amending Rules are urgently required and essential for the effective operation of the market and would otherwise result in a manifest error, as the IMO must publish the LT PASA and set the Reserve Capacity Requirement for the 2014 Reserve Capacity Cycle in 2015, prior to the assignment of Capacity Credits for the 2014 Reserve Capacity Cycle, which is scheduled to occur in September 2015².

Timeline

The projected timelines for progressing this proposal are:



Call for submissions

The IMO invites interested stakeholders to make submissions on this Rule Change Proposal. The submission period is 15 Business Days from the Rule Change Notice publication date. Submissions must be delivered to the IMO by **5:00 PM on Wednesday 15 April 2015**.

The IMO prefers to receive submissions by email, using the submission form available at: www.imowa.com.au/wem-rule-changes sent to market.development@imowa.com.au.

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

Independent Market Operator

Attn: Group Manager, Development and Capacity
PO Box 7096
Cloisters Square, PERTH, WA 6850

² The timetable for the 2014 Reserve Capacity Cycle is available at: www.imowa.com.au/reserve-capacity/reserve-capacity-timetable-overview.

Rule Change Proposal: RC_2015_04

Change requested by:

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Address	Level 17, 197 St Georges Terrace, Perth WA 6000
Date submitted	23 March 2015
Urgency	High
Rule Change Proposal title	Documentation of the Long Term PASA for the 2014 Reserve Capacity Cycle
Clauses affected	Clause 1.12.1

Introduction

Clause 2.5.1 of the Wholesale Electricity Market Rules (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 IMO.

The IMO prefers to receive submissions by email to market.development@imowa.com.au using the Rule Change Proposal form available at: <http://www.imowa.com.au/wem-rule-changes>.

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

Independent Market Operator

Attn: Group Manager, Development and Capacity
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Cloisters Square, PERTH, WA 6850

The IMO will assess the proposal and, within five 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 proposal must explain how it will enable the Market Rules to better contribute to the achievement of the Wholesale Market Objectives.

The Wholesale Market Objectives 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 Rule Change Proposal

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

Background

Under section 4.5 of the Market Rules, the IMO annually conducts the Long Term PASA (LT PASA) to determine the Reserve Capacity Target for each year of the LT PASA Study Horizon and prepare the Electricity Statement of Opportunities Report (ESOO) for each Reserve Capacity Cycle.

On 29 April 2014, the IMO received a Ministerial Direction under regulation 39 of the IMO Regulations to defer the processes related to the certification of Reserve Capacity, declaration of bilateral trades, assignment of Capacity Credits and Reserve Capacity Auction for the 2014 Reserve Capacity Cycle by 12 months in accordance with clause 4.1.32 of the Market Rules. In accordance with the Ministerial Direction, the IMO published a notice of extension for these aspects of the 2014 Reserve Capacity Cycle on 8 May 2014¹.

In light of the Ministerial Direction, the IMO decided to also defer the ESOO for the 2014 Reserve Capacity Cycle to allow any updated demand forecasts that became available to be considered in the formal determination of the Reserve Capacity Target for the 2014 Reserve Capacity Cycle. Consequently, the IMO progressed the Rule Change Proposal: Specific Transition Provisions for the 2014 Reserve Capacity Cycle (RC_2014_04)² to introduce clauses 1.12.1 and 1.12.2 of the Market Rules to:

- defer the annual process of undertaking the LT PASA and determining the Reserve Capacity Requirement for the 2014 Reserve Capacity Cycle and instead publishing it in the ESOO for the 2015 Reserve Capacity Cycle; and

¹ Information on the amendments to the Reserve Capacity timetable for the 2014 Reserve Capacity Cycle is available at: <http://www.imowa.com.au/reserve-capacity/reserve-capacity-timetable/reserve-capacity-timetable-overview>.

² Available at: www.imowa.com.au/RC_2014_04.

- allow the IMO to use the Reserve Capacity Target from the most recent ESOO in the Request for Expressions of Interest for the 2015 Reserve Capacity Cycle.

Clause 1.12.1 of the Market Rules was drafted on the basis that the IMO would publish the LT PASA for the 2014 Reserve Capacity Cycle in the ESOO for the 2015 Reserve Capacity Cycle. However, on 13 March 2015, the IMO received a Ministerial Direction under regulation 39 of the IMO Regulations to defer most aspects³ of the 2015 Reserve Capacity Cycle, including the ESOO, by 12 months in accordance with clause 4.1.32 of the Market Rules⁴. This means that the IMO will not publish the ESOO for the 2015 Reserve Capacity Cycle until 17 June 2016.

As the timeframe for publishing the LT PASA and Reserve Capacity Requirement for the 2014 Reserve Capacity Cycle was only intended to be extended by 12 months, the IMO proposes to amend clause 1.12.1 of the Market Rules to allow the IMO to publish the LT PASA in the ESOO published in Year 2 of the 2014 Reserve Capacity Cycle (i.e. in 2015).

It should be noted that the IMO does not consider it necessary to amend clause 1.12.2 of the Market Rules as a result of the Ministerial Direction received on 13 March 2015 because the drafting refers to the most recently published Statement of Opportunities Report, which will be the ESOO for the 2014 Reserve Capacity Cycle, published by 17 June 2015.

2. Explain the reason for the degree of urgency

The IMO proposes to progress this Rule Change Proposal under the Fast Track Rule Change Process for the proposed Amending Rules to commence as soon as practicable to ensure that the IMO can continue to satisfy its obligations under the Market Rules. Further information is provided in section 6 of this Rule Change Proposal.

3. Provide any specific changes to clauses of the Market Rules

[Changes to the current wording of the Market Rules are shown with ~~strikethrough~~ where words are deleted and underline where words are added]

1.12. Specific Transition Provisions for the 2014 Reserve Capacity Cycle

- 1.12.1. For the purposes of clause 4.5.1, the Long Term PASA for the 2014 Reserve Capacity Cycle is deemed to be the study conducted in accordance with clause 4.5 and published under clause 4.5.11 in the Statement of Opportunities Report published in Year 2 of the 2014 ~~for the 2015~~ Reserve Capacity Cycle ~~by the date specified in clause 4.1.8.~~

³ For the 2015 Reserve Capacity Cycle, this includes the certification process with the exception of running the 2015 Reserve Capacity Auction and the timing for which the Reserve Capacity Obligations and associated Reserve Capacity Price apply.

⁴ Information on the amendments to the Reserve Capacity timetable for the 2015 Reserve Capacity Cycle is available at: <http://www.imowa.com.au/reserve-capacity/reserve-capacity-timetable/reserve-capacity-timetable-overview>.

4. Describe how the proposed changes would allow the Market Rules to better address the Wholesale Market Objectives

Clause 2.4.2 of the Market Rules states 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.

The IMO considers that this Rule Change Proposal will better achieve Wholesale Market Objective (a) and is consistent with the remaining Wholesale Market Objectives.

(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 notes that the proposed Amending Rules will allow the IMO to publish the Reserve Capacity Target for the 2016/17 Capacity Year in the ESOO published in 2015. This timing is consistent with the 12 month deferral of the Reserve Capacity Cycle in the Ministerial Direction received on 29 April 2014 and will provide the necessary information to Market Participants regarding the need for new capacity at the time of the certification process for the 2014 Reserve Capacity Cycle.

5. Provide any identifiable benefits and costs of the proposed changes

Benefits

The proposed Amending Rules will ensure that the IMO can provide the necessary information for Market Participants to make decisions about investing in new capacity at the time of the certification process for the 2014 Reserve Capacity Cycle.

Costs

The IMO will incur minor administrative costs to facilitate the development and progression of this Rule Change Proposal. However, these costs can be accommodated within the IMO's existing budget.

6. Provide any considerations associated with the implementation of the proposed changes

The IMO notes that the proposed Amending Rules would need to commence before the publication of the ESOO for the 2014 Reserve Capacity Cycle which is due by 17 June 2015. If the proposed amendments are not made by this time, the IMO would not be able to publish the LT PASA or set the Reserve Capacity Requirement for the 2014 Reserve Capacity Cycle. This would:

- be inconsistent with the Ministerial Direction received on 29 April 2014;
- result in a manifestly incorrect outcome; and
- directly affect the operation of the Reserve Capacity Mechanism, and therefore the market.

The IMO therefore proposes to progress this Rule Change Proposal under the Fast Track Rule Change Process on the basis that it meets the criteria under clause 2.5.9(b) and (c) of the Market Rules. The IMO considers that the proposed Amending Rules are urgently required and essential for the effective operation of the market and would otherwise result in a manifest error.

The IMO notes that the proposed amended clause is not a Protected Provision, civil penalty provision or Reviewable Decision. There are also no Market Procedures that require updating as a result of this Rule Change Proposal.