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**Wholesale Electricity Market**

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## **Details of the proposed Market Rule Change**

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

The Planning Criteria to be used in the Long Term Projected Assessment of System Capacity, which is published in the Statement of Opportunities Report, are set out in clause 4. 9 of the Market Rules. One criteria is that there must be sufficient capacity to meet the forecast peak demand plus a reserve margin based, in part, on the size of the largest generating unit on the system.

Because the size of the largest generating unit may not change for some years, it is likely that

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

This proposed rule change is intended to ensure that system reliability is maintained at a satisfactory level as total system load increases. As such, it supports the Market Objective “to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system,. It achieves this by facilitating sufficient certified reserve capacity onto the system to ensure that the level of involuntary supply interruptions is kept to a minimum. The proposed change will maintain system reliability at the level that is currently in place, as determined by the existing market rule, as system forecast demand increases.

The nominated reserve margin has been developed through a process that incorporated input from Market Participants and other interested parties. Comparisons with reliability criteria in other markets were obtained through a consultancy that reviewed reserve margins applying in other jurisdictions. A cost-benefit analysis of the change to the reserve plant margin was also undertaken.

Involuntary supply interruptions impose significant costs on end-use customers. These comprise both indirect costs, such as loss of amenity and loss of production, and direct costs associated with the installation and operation of back-up generation. This proposed rule