

1. INTRODUCTION

1.1. *General Information about Rule Changes*

Clause 2.5.1 of the Wholesale Electricity Market Rules provides that any person (including the Independent Market Operator) may make a rule change proposal by completing a Rule Change Proposal Form and submitting this to the Independent Market Operator (IMO).

In order for the proposal to be progressed, 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
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used

A rule change proposal can be processed using a Sta

- Within 5 Business Days of the Rule Change Notice being published, any Rule Participant wishing to be consulted may contact the IMO to request consultation on the rule change
- Within 15 Business Days of the Rule Change Notice being published, all consultations must be concluded
- Within 20 Business Days of the Rule Change Notice being published, the IMO must publish a Final Rule Change report.

The key dates in processing this Rule Change Proposal were:

- The Rule Change Notice for this proposal was published on the IMO website on 21 May 2007
- The IMO notified all Rule Participants that the IMO wished to consult with them on 21 May 2007
- The consultation on the Rule Change was completed on 11 June 2007
- This Rule Change Report is published on 18 June 2007

Based on the response received from interested parties, the IMO's decision is to accept the Rule Change in the form suggested in the original proposal, with some minor amendments to correct typographical errors observed by parties during the consultation period.

This Final Rule Change Report on the Rule Change Proposal has been prepared by the IMO in accordance with clause 2.6.4 of the Market Rules.

The amendments to clause 4.26.2 of the Wholesale Electricity Market Rules will commence at 08.00am on 1 July 2007.

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In order to determine whether a Market Generator ha

This circumstance can arise in the case of Intermittent Generators, which are not obliged to make STEM submissions, and that this was overlooked in the rule change implemented in December 2006.

Therefore, the IMO proposed to amend the rules to add back the participant's own demand in the determination of the Reserve Capacity Shortfall, to account for circumstances where a participant does not have a valid STEM submission in any Trading Interval.

2.3. Amending rules proposed by the IMO

The IMO proposed to amend clause 4.26.2(b) as follows:

- (b) subject to paragraph (a), for the case where Market Participant p is not the Electricity Generation Corporation, the sum of:
 - i. the sum of the Reserve Capacity Obligation Quantities in Trading Interval t of that Market Participant's Interruptible Loads and Curtailable Loads; plus
 - ii. the MW quantity calculated by doubling the ~~total net~~ MWh quantity of energy sent out by Facilities registered by that Market Participant ~~net of the MW quantity calculated by doubling the total MWh quantity of energy to be consumed by that Market Participant including demand associated with any Curtailable Load or Interruptible Load, but excluding demand associated with any Dispatchable Load during that Trading Interval~~ calculated as the Net Contract Position less the shortfall as indicated by the applicable Resource Plan; plus
 - iiA if a STEM submission does not exist for that Trading Interval, the MW quantity calculated by doubling the total MWh quantity of energy to be consumed by that Market Participant including demand associated with any Curtailable Load or Interruptible Load, but excluding demand associated with any Dispatchable Load during that Trading Interval as indicated by the applicable Resource Plan; plus

[Balance of clause not changed]

2.4. The IMO's initial assessment of the proposal

In its proposal, the IMO considered that the current clause 4.26.2(b)ii, which resulted from a change made in November 2006, could give rise to an inappropriate capacity refund and disadvantage participants even though they have complied with their obligations.

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The IMO decided to proceed with the proposal on the basis of its preliminary assessment which indicated that the proposal was consistent with the Market

3. RULE PARTICIPANTS CONSULTED

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

4.2. *IMO's Decision*

The IMO's decision is to:

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5. AMENDING RULES

5.1. Clause 4.26.2

Clause 4.26.2 will be amended as follows (~~deleted wording~~, new wording):

- 4.26.2. The IMO must determine the capacity shortfall (“**Capacity Shortfall**”) in Reserve Capacity supplied by each Market Participant p holding Capacity Credits in each Trading Interval t of Trading Day d and Trading Month m relative to its Reserve Capacity Obligation Quantity as:

$$SF(p,m,d,t) = \text{Max}(\text{RTFO}(p,d,t), \text{RCOQ}(p,d,t) - A(p,d,t)) + \text{Max}(0, B(p,d,t) - C(p,d,t))$$

Where

$$A(p,d,t) = \text{Min}(\text{RCOQ}(p,d,t), \text{CAPA}(p,d,t));$$

$$B(p,d,t) = \text{Min}(\text{RCOQ}(p,d,t) - \text{RTFO}(p,d,t), \text{DSQ}(p,d,t));$$

$$C(p,d,t) = \text{Min}(\text{DSQ}(p,d,t), \text{MSQ}(p,d,t));$$

RCOQ(p,d,t) is the total Reserve Capacity Obligation Quantity of Market Participant p's unregistered facilities that have Reserve Capacity Obligations, plus the sum over all of the Registered sum over all of Facilities registered to Market Participant p of the product of the factor described in clause 4.26.2B as it aies s Q C36.6210-1271007(969092(103R91

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~~with any Curtailable Load or Interruptible Load, but
excluding demand associated with any Dispatchable Load
during that Trading Interval calculated as the Net Contract
Position less the shortfall~~

