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### ***Details of the Proposal***

The IMO submits that the correction, in December 2006, to a potential anomaly in the Reserve Capacity Shortfall calculations, which led to an overstatement of a Market Participant's fulfilment of its Reserve Capacity obligation, may have had an unintended adverse impact on participant refund calculations.

Prior to the change implemented in December 2006, Clause 4.26.2(b) of the Market Rules read 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 MWh quantity of energy sent out during that Trading Interval by Facilities registered by that Market Participant as indicated by the applicable Resource Plan; plus
  - iii. the MW quantity calculated by doubling the total MWh quantity covered by the STEM Offers which were not scheduled and the STEM Bids which were scheduled in the relevant STEM Auction, determined by the IMO for that Market Participant under clause 6.9 for Trading Interval t, corrected for Loss Factor adjustments so as to be a sent out quantity in accordance with clause 4.26.2A; plus
  - iv. double the total MWh quantity to be provided as Ancillary Services as specified by the IMO in accordance with clause 6.3A.2(e)(i) for that Market Participant corrected for Loss Factor adjustments so as to be a sent out quantity in accordance with clause 4.26.2A; plus
  - v. the greater of zero and  $(BSFO(p,d,t) - RTFO(p,d,t))$ ; and – gr

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### ***The Proposal and the Market Objectives***

The objectives of the market as set out in clause 1.2.1 of the Market Rules 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.*

Properly accounting for participants meeting their reserve capacity obligations contributes positively to this objective by:

- In the immediate term, ensuring that participants are treated equitably in the reserve capacity mechanism; and
- In the longer term, efficient investment in capacity required by the market through providing correct signals for making capacity available.

Therefore, the IMO considers that the proposed rule

## WHETHER THE PROPOSAL WILL BE PROGRESSED FURTHER

The IMO has decided to proceed with this proposal on the basis that the IMO's preliminary assessment indicated that the proposal is consistent with the Market Objectives.

The IMO has decided to process this Rule Change Proposal using the Fast Track Process, described in section 2.6 of the Wholesale Electricity Market Rules.

Section 2.5.9 states:

*The IMO may subject a Rule Change Proposal to the Fast Track Rule Change Process if, in its opinion, the Rule Change Proposal:*

- (a) is of a minor or procedural nature; or*
- (b) is required to correct a manifest error; or*
- (c) is urgently required and is essential for the safe, effective and reliable operation of the market or the SWIS.*

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. This is a manifest error that should be corrected through the Fast Track process to avoid further unjustified financial consequences for participants.

