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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

IMO publishes the Draft Rule Change Report.

- The IMO publishes its Final Rule Change Report within 20 Business Days of the end of the second Public Submissions period.

The key dates in processing this Rule Change Proposal were:

- The Rule Change Notice for this proposal was published on the IMO website on 19 June 2007.
- The first Public Submission period on the Rule Change Proposal ended on 31 July 2007.
- The Draft Rule Change Report was published on 28 August 2007.
- The second Public Submission period was from 29 August to 25 September 2007.
- This Final Rule Change Report is published by the IMO on 23 October 2007.
- The Minister's decision on the Final Rule Change Report and the Market Rule Change Proposal will be available on the 20 November 2007.

Based on the submissions ioe652(i)4.47947(o)1.40b69.6jpl-784030531968(n).Td (-)9.55639(e)12

2. THE RULE CHANGE PROPOSAL

2.1. *The Submission*

On 11 June 2007, the IMO submitted a Rule Change Proposal regarding changes to clause 2.13.10 of the Wholesale Electricity Market Rules.

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The proposed change would also bring the Market Rules closer in design to the National Electricity Law. That Law, and the National Electricity Rules made pursuant to it, give the Australian Energy Regulator (AER) both the option to investigate an alleged breach and the option to apply for a penalty if it finds that a breach has occurred.

The proposed additional flexibility would not prevent the IMO from being able to take all steps necessary to enforce a serious breach of the Market Rules or Market Procedures should it need to do that, but rather would allow the IMO to support Participants in their compliance endeavours.

The IMO submitted that it is aware of the importance of maintaining an auditable process. To achieve this, the IMO proposed that the results of every investigation be recorded.

2.3. *The Proposal and the Market Objectives*

The IMO considered that the suggested changes effectively addressed objectives

2.4. *Amending Rules Proposed by the IMO*

The IMO proposed the following changes to clause 2.13.10 of the Market Rules to

4. THE IMO'S DRAFT DECISION

Based on the submission received and its own assessment against the Market Objectives, the IMO's draft decision was to accept the proposed changes to clause 2.23.10 of the Market Rules as proposed by the IMO.

The IMO made its draft decision on the basis that the ~~Objectives~~ Amending Rules will ~~6(e)1.8968(d)185(c)~~

5. SUBMISSIONS RECEIVED IN THE SECOND SUBMISSION PERIOD

The second submission period was between 29 August and 25 September 2007, following the publication of the Draft Rule Change Report. The IMO received two submissions, from Alinta Sales and the Economic Regulation Authority. A summary of the submissions is provided below. The submissions can be found on the IMO website.

5.1. *Submission from Alinta Sales*

Alinta agreed with the proposed change to the Market Rules and considered that it would better facilitate objectives (a), (b) and (d) of the Market Rules.

5.2. *Submission from the Economic Regulation Authority (ERA)*

6. THE IMO'S ASSESSMENT AND FINAL DECISION

No interested party expressed concerns regarding the amendments to the Market Rules as proposed.

c) to reduce the number of participants in the market and to reduce the number of transactions. The proposed changes will reduce the number of participants in the market and to reduce the number of transactions.

Assessment: The IMO considers that the proposed changes do not impact on, and therefore are consistent with, the operation of objective (c) of the Market Objectives.

d) to reduce the cost of compliance for participants. The proposed changes will reduce the cost of compliance for participants.

Assessment: The IMO considers that the proposed changes will reduce compliance bureaucracy and as a result long-term costs of compliance both for the IMO and for participants will be minimised. This is consistent with the operation of objective (d) of the Market Objectives.

e) to encourage the use of electronic trading. The proposed changes will encourage the use of electronic trading.

Assessment: The IMO considers that the proposed changes do not impact on, and therefore are consistent with, the operation of objective (e) of the Market Objectives.

In accordance with Clause 2.4.3(b) of the Market Rules, in deciding whether or not to

consideration. The Minister's decision is expected to be available by 20 November 2007.

6.4. Amending Rules Commencement

Subject to receipt of the Minister's approval, the amendments to clause 2.13.10 of the Market Rules will commence at **08.00am** on **25 November 2007**.

7. AMENDING RULES

The following clause is amended (~~deleted wording~~, new wording):

2.13.10 If the IMO becomes aware of an alleged breach of the Market Rules or Market Procedures, then ~~it must~~:

- (a) it must record the alleged breach;
- (b) it must investigate the alleged breach;
- (c) it must record the results of each investigation;
- (d) where it reasonably believes a breach of the Market Rules or Market Procedures has taken place, it may issue a warning to the Rule Participant to rectify the alleged breach. The warning must:
 - i. identify the clause or clauses of the Market Rules or the Market Procedures that the IMO believes has been, or are being, breached;
 - ii. describe the behaviour that comprises the alleged breach;
 - iii. request an explanation; and
 - iv. request that the alleged breach be rectified and a time (which the IMO considers reasonable) by which the alleged breach should be rectified; and
- (e) it must record the response of the Rule Participant to ~~the~~ any warning issued under clause 2.23.10(d).