

the business system. The business system is the set of all the business activities that are carried out in a particular geographical area.

The business system is a complex system. It is a system that is made up of many different parts. Each part of the business system is a business activity. The business activities are carried out by different people and organizations.

The business system is a system that is constantly changing. The business system is a system that is always evolving. The business system is a system that is always growing.

The business system is a system that is always becoming more complex. The business system is a system that is always becoming more sophisticated.

The business system is a system that is always becoming more integrated. The business system is a system that is always becoming more unified.

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C M N A L

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Independent Member of

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N R / C N

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

- The second Public Submission period is for a minimum of 20 Business Days from the date the Draft Rule Change Report is published.
- Within 20 Business Days after the end of the second Public Submission period, the IMO must publish a Final Rule Change Report.

The key dates in processing this Rule Change Proposal are:

- The Rule Change Notice for this proposal was published on the IMO website on 17 September 2007.
- The first Public Submission period on the Rule Change Proposal ended on 29 October 2007.
- This Draft Rule Change Report is published on 26 November 2007.
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L C A N A L

2.1. The Submission

The Economic Regulation Authority (ERA) submitted, on 13 September 2007, a Rule Change Proposal regarding changes to clause 10.5.1(i)(ii) of the Market Rules.

2.1.1 Submission Details

<p> N o n e d e n c e p o s e </p>	<p> Ignatius Chin and/or Adam McHugh +61 8 9213 1900 ignatius.chin@era.wa.gov.au, adam.mchugh@era.wa.gov.au Economic Regulation Authority 13 September 2007 2 Release of STEM Submission Information </p>
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2.2. Details of the Proposal

The ERA submitted that the current timing of Short Term Energy Market (STEM) Bids and Offers information released to the Public under clause 10.5.1 of the Market Rules is contrary to the Wholesale Market Objectives outlined under clause 1.2.1.

The ERA submitted that a fundamental economic principle that arises from the competitive market model is that market efficiency is compromised by market participants' inability to access, or respond to, market information. The ERA's view

provided to market participants as well as to potential entrants. The ERA's view was that the evolution to a competitive market, as opposed to one that replicates a competitive outcome, would be smoother if the market had earlier access to information.

2.3. Amending Rules Proposed by the ERA

The ERA proposed the following amendments to clause 10.5.1(i)(ii):

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~~c e n d r o n s e f o r e e s r o f e r d n g D y e n d n g o n e s d y o f e~~
~~e e n d r o n t w o o n s p r o r o e c u r r e n e e n d r o n~~
- 1. e S EM Offers y M r e P r c p n
- 2. e S EM Bds y M r e P r c p n
- 3. e q u n y o u g o r s o d n e S EM y M r e P r c p n n d
- 4. e F u e D e c r o p A v y D e c r o n n d f p p c e A n c r y
S e r v i c e D e c r o n d e y e M r e P r c p n

2.4. The IMO's Initial Assessment of the Proposal

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 Objectives. This preliminary assessment was published in a Rule Change Notice on 17 September 2007.

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The IMO received three submissions, from Landfill Gas and Power Pty Ltd, Synergy and from Alinta Sales Pty Ltd (Alinta). A summary of the submissions is given below. The full text of the submissions can be found on the IMO website.

3.1. Landfill Gas & Power (LGP)

LGP expressed its support for the Rule Change Proposal.

LGP noted that the more timely issue of the STEM Bids and Offers information would result in a more economically efficient pattern of electricity generation and consumption.

3.2. Synergy

Synergy expressed its support for the ERA's rule change proposal. Synergy supported the ERA's view that the lack of timely information release was a hindrance to the market's efficient evolution.

Synergy noted that the proposed changes would provide more timely information to Participants, and considered that the proposed changes would support the operation of objectives (a) and (b) of the Market Objectives.

3.3. Alinta

Alinta agreed with the ERA's view that a lag of two months between bids being made and the information becoming available made the information regarding a participant's bidding behaviour of little value to participants when making decisions to optimise their portfolio positions. Alinta agreed that in a fully competitive market information on bidding behaviour should be available as close as possible to real time.

3.4. Market Advisory Committee

The Rule Change Proposal was presented to the Market Advisory Committee (MAC) at its meeting on 10 October 2007. At this meeting MAC expressed general support for this proposal. No member expressed concerns with the proposed change.

MAC was also invited to discuss Alinta's comments a

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

The IMO considers that a more transparent wholesale market will reduce the risk that results from uncertainty over market conditions. It considers that this will promote higher competition in generation in the longer run.

However, as noted above, the IMO agrees that the current market structure would warrant a restriction on how early STEM bids and offers can be released.

The IMO considers that the proposed changes are consistent with the operation of objective (b) of the Market Objectives.

- (c) to avoid discrimination on the grounds of procurement energy options and technologies, including sustainable energy options and technologies such as use of renewable resources or reduce overall greenhouse gas emissions.

4.2. *IMO's Draft Decision*

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6.1. Clause 10.5.1

10.5.1 The IMO must set the class of confidentiality status for the following