





## 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 Standard process or a Fast Track process. The Standard process involves a combined 10 weeks public submission period. Under the shorter Fast Track process the IMO consults with Rule Participants who either advise the IMO that they wish to be consulted or the IMO considers have an interest in the change.

### 1.2. *About this Rule Change*

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

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- 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.
- The Draft Rule Change Report was published on 26 November 2007.
- The second Public Submission period was from 26 November to 24 December 2007.
- This Final Rule Change Report is published by the IMO on 17 January 2008.

Based on the response received from interested parties, and the IMO's assessment of the proposed changes against the Market Objectives, the IMO's decision is to accept the rule changes proposed by the ERA and modified by the IMO as a result of the second round of public consultation.

This Final Rule Change Report on the Rule Change Proposal has been prepared by the

## 2. THE RULE CHANGE PROPOSAL

### 2.1. *The Submission*

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Organisation: Economic Regulation Authority  
Date submitted: 13 September 2007  
Urgency: 2  
Change Proposal title: Release of STEM Submission Information

### 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 was that, in this context, the timing of when information is released is just as critical as its content.

The ERA noted that under clause 10.5.1(i)(ii) of the Market Rules, STEM Bids and Offers information for each Trading Interval is released on the Market Web Site up to two months after the completion of the Trading Day.

The ERA considered that the lack of timely information release is a hindrance to the market's efficient evolution. The ERA was concerned that in the longer run, delayed access to information is a barrier to entry for potential new market participants due to the increased risk that results from the uncertainty surrounding current market conditions.

### **2.3. Amending Rules Proposed by the ERA**

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

10.5.1(i)(ii) for each Trading Interval in each ~~completed Trading Day Week~~ during the 12 calendar months, ~~before the start of the Trading Day ending on the last day of the calendar month two months prior to the current calendar month:~~

1. *the STEM Offers by Market Participant;*
2. *the STEM Bids by Market Participant;*
3. *the quantity bought or sold in the STEM by Market Participant; and*
4. *the Fuel Declaration, Availability Declaration and, if applicable, Ancillary Service Declaration made by the Market Participant;*





#### 4. THE IMO'S DRAFT DECISION

Based on the submissions received and its assessment against the Wholesale Market Objectives, the IMO's draft decision was to accept the proposed changes to clause 10.5.1(i)(ii) proposed by the ERA, as amended by the IMO, and presented in section 7 of this Report.

The IMO made its draft decision on the basis that the resulting Amending Rules would allow the Market Rules to better address the Wholesale Market Objectives.

## 5. SUBMISSIONS RECEIVED IN THE SECOND SUBMISSION PERIOD

Following the Draft Rule Change Report publication on the IMO website, the second submission period was between 26 November and 24 December 2007. The IMO received one submission, from Alinta Sales Pty Ltd. A summary of the submission is provided below. The full text of the submission can be found on the IMO website.

### **5.1. *Submission from Alinta Sales Pty Ltd (Alinta)***

In its submission Alinta expressed its continued support for the Rule Change Proposal. Alinta considered that the amended version of the proposal, to release the bidding-related information one week after the event rather than as soon as practicable after the

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- (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.*

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 minimise the long-term cost of electricity supplied to customers from the South West interconnected system*

The IMO considers that the proposed changes, as amended after the first round of submissions, are consistent with the operation of objective (d) of the Market Objectives.

- (e) *to encourage the taking of measures to manage the amount of electricity used and when it is used.*

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 make Amending Rules, the IMO must also have regard to the practicality and cost of implementing the Amending Rules.

The proposed changes to clause 10.5.1(i)(ii) will require changes to the Wholesale Electricity Market Systems operated by the IMO. The cost of implementing these changes has been estimated at approximately \$35,000.

**.3. Amending Rules Commencement**

The amendments to clause 10.5.1(i)(ii) of the Wholesale Electricity Market Rules will commence at **08.00am** on

## 7. AMENDING RULES

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