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1. INTRODUCTION

Gene nfo on o e C n e

Clause 2.5.1 of the Wholesale Electricity Market Rules (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 Market Objectives. The market objectives 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

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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 21 December 2007.
- The first public submission period on the Rule Change Proposal ended on 1 February 2008.
- This Draft Rule Change Report is published on 29 February 2008.
- The second public submission period is from 29 February to 2 April 2008.
- The Final Rule Change Report will be published by the IMO on 1 May 2008.

Based on the submissions received, the IMO's draft decision is to accept the Rule Change in the proposed form outlined in section 6 of this report.

This Draft Rule Change Report on the Rule Change Proposal has been prepared by the IMO in accordance with clause 2.7.6 of the Market Rules.

Interested parties are invited to provide further submissions in relation to this Draft Rule Change Report. In accordance with the Market Rules timelines, the deadline for submissions is 2 April 2008.

2. THE RULE CHANGE PROPOSAL

1. Introduction

On 13 December 2007, System Management submitted a Rule Change Proposal

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to all three limbs of clause 3.4.1. System Management suggested that the effect of this amendment would be that a high risk operating state would exist when System Management considers that any of the items listed i

3. SUBMISSIONS

The IMO received one submission, from Synergy, on the changes proposed by System Management.

- *on f o yne y*

- (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 market objective (e).

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 will not require any changes to the Wholesale Electricity Market Systems operated by the IMO. No other costs have been identified in relation to the implementation of the proposed changes.

IMO Draft Decision

The IMO's draft decision is to:

- Accept the proposed changes to clauses 3.4.1 and 3.5.1 of the Wholesale Electricity Market Rules, as proposed by System Management.

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

The wording of the relevant Amending Rules is presented in section 6 of this Report.

5. CALL FOR SUBMISSIONS

The IMO wishes to receive submissions regarding this Draft Rule Change Report. The submission period is 20 Business Days from the publication date of this Report.

Submissions must be delivered to the IMO by close of business on Wednesday, 2 April 2008.

The IMO prefers to receive submissions by email to marketadmin@imowa.com.au using the submission form available on the IMO website:
http://www.imowa.com.au/10_5_1_b_rule_change_proposal.htm

Submissions may also be sent to the IMO by fax or post, addressed to:

Independent Market Operator

Attn: Manager Market Administration

PO Box 7096

Cloisters Square, Perth, WA 6850

Fax: (08) 9254 4399

6. PROPOSED AMENDING RULES

System Management proposes the following amendments to the Market Rules (added words are underlined and deletions are shown with strikethrough):

- 3.4.1 The SWIS is in a High-risk Operating State when System Management considers that any of the following circumstances exist, or are likely to exist within the next fifteen minutes, or are likely to exist at a time beyond the next fifteen minutes; ~~and but~~ actions other than those allowed under the Normal Operating State must be implemented immediately by System Management so as to moderate or avoid the circumstance:

(a)...

...

(l) ~~any other circumstance having a substantially similar effect to any of the above occurs in connection with the SWIS.~~ any other circumstance which would, in the reasonable opinion of System Management, threaten Power System Security or Power System Reliability.

- 3.5.1 The SWIS is in an Emergency Operating State when System Management considers that any of the following circumstances exist, or are likely to exist within the next fifteen minutes, or are likely to exist after fifteen minutes; ~~and but~~ actions other than those allowed under the Normal Operating State or High-risk Operating State must be implemented immediately by System Management so as to moderate or avoid the circumstance:

(a) ...

...

(h) ~~any other circumstance having a substantially similar effect to any of the above occurs in connection with the SWIS.~~ any other circumstance which would, in the reasonable opinion of System Management, significantly threaten Power System Security or Power System Reliability.