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1.1. General Information about Rule Changes

Clause 21 of the Wholesale Electricity Market Arranging Rules (Market Rules) provides that any person, including the Independent Market Operator, may apply a Rule Change Proposal, competing Rule Change Proposal, and submitting this to the Independent Market Operator (MO).

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 facilitating efficient entry of new competitors;
- (c) to avoid discrimination in that it targets against particular energy options and technologies, including sustainable energy options and technologies such as those that 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 will be processed using the Standard Rule Change Process or the Fast Track Rule Change Process. The standard process involves a combined 12 week public submission period. Under the shorter fast track process the MO consults with Rule Participants who either advise the MO that they wish to be consulted or the MO considers have an interest in the change.

1.2. About this Rule Change

On 4 January 2023,erve Energy submitted a Rule Change Proposal titled "Clarification of MCAP".

The proposal is processed using the Fast Track Rule Change Process, described in section 2 of the Market Rules. The fast track process is used as the proposal satisfied the requirements of clause 21 of the Market Rules.

The fast track process adheres to the following timelines, outlined in section 2 of the Market Rules:

- Within Business Days of a Rule Change Notice being published, the MO must notify any Rule Participants that the MO intends to consult regarding the Rule Change.

- Within Business Days of the Rule Change Notice being published, any Rule Participant wishing to be consulted may contact the MO to request consultation on the Rule Change
- Within 1 Business Days of the Rule Change Notice being published, all consultations must be concluded
- Within 2 Business Days of the Rule Change Notice being published, the MO must publish Final Rule Change Report

The key dates in processing this Rule Change Proposal were

- The Rule Change Notice for this Proposal was published on the MO website on 14 January 2014
- On 14 January 2014, the MO notified interested parties that it wished to consult regarding the Rule Change
- Consultation period ended on 16 January 2014

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2.1. The Submission

erve Energy submitted, on 4 January 2014, a Rule Change Proposal regarding changes to rules 14.2 and 14.4 in the Wholesale Electricity Market Rules

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Name	Andre Everett
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Organisation	erve Energy
Address	Level 11, Australia Place, 1-111 St, Perth, WA,
Date submitted	4 January 2014
Agency	ASIC

2.2. The Proposal

erve Energy submitted that it has the obligation to follow the load in the Wholesale Electricity Market and, unlike independent power producers (IPPs), cannot specify pay-as-bid prices for energy scheduled to generate the market. Whenever erve Energy deviates from its net contract position it is exposed to the Marginal Cost Administered Price (MCAP), which may not reflect the true cost of the energy being dispatched.

erve Energy submitted that MCAP is determined by the Short Term Energy Market (S-TEM) auction, and only reduced if the Reserve

2.3. Amending Rules Proposed by Verve Energy

The amendments to clauses 14.2 and 14.4 proposed by Verve Energy are found in Section 4 of this Report

2.4. The IMO's Initial Assessment of the Proposal

The IMO decided to proceed with the Rule Change Proposal on the basis of its preliminary assessment, which indicated that the proposal is consistent with the Market Objectives

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3.1. Market Advisory Committee

The Market Advisory Committee (MAC) is invited to have preliminary discussions on the Proposal at its meeting on 12 December 2018, before it is for any submitted by the Energy

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of energy dispatched and serve Energy should not be penalised for PP deviations from their Resource Plans. LGP considered that it is important to provide for more accurate prices for balancing energy.

3.6. Synergy

After attending the workshop, Synergy provided a submission in which it expressed its support for the Rule Change Proposal.

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4.1. Assessment

Stakeholders

All parties responding to MO's request for consultation expressed support for Serve Energy's proposal. No party proposed any changes to the elements proposed by Serve Energy.

While expressing its general support for the changes, Airtel is concerned that allowing upward deviations to be included when calculating the Real-time Quantity may have a diverse impact on intermittent Generators spinning energy into the SPS. As this may provide for a higher MCAP to be calculated. While acknowledging Airtel's concern, the

The MO notes that the current thresholds in the Market Rules, before MCAP is re-introduced, were set due to concerns regarding the potential exercise of market power in bidding behaviour. However, the practical operation of the market as suggested by the thresholds may have a negative impact on the market outcomes as a result of the risk that they introduce for the balancing generator.

The MO considers that this rule change proposal supports market objectives by providing more accurate and market reflective prices for energy traded through the balancing mechanism in their submissions. Airt, Energy Gas and LGP supported this assessment.

The MO considers that the proposed changes do not impact on, and therefore are consistent with, the operation of market objectives.

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In accordance with Clause 24 of the Market Rules, in deciding whether or not to make Amending Rules, the MO must also have regard to the practicality and cost of implementing the amendments.

The implementation of these rule changes will require changes to the Wholesale Electricity Market System operated by the MO. The cost for implementing these changes is estimated at \$1.4 million. The MO also estimates that the cost of implementing these changes is \$1.4 million.

4.2. The IMO's Decision

The IMO's decision is to

- Accept the amendments to rules 14.2 and 14.4 of the Wholesale Electricity Market Rules as proposed by Nerve Energy in its Rule Change Proposal. This will amend the MCAP to take system requirements and the Relevant Quantity into account, both up and down, and deviations of Market Generators, other than Nerve Energy, from their Resource Plans
- Amend rule 14.2 to change the reference to rule 14.1 instead of rule 14.2

The IMO has made its decision on the basis that the resulting Amending Rules are consistent with the Wholesale Market Objectives

The wording of the relevant Amending Rules is presented in Section 4 of this Report

4.3. Amending Rules Commencement

The amendments to rules 14.2, 14.3, and 14.4

