
Wholesale Electricity Market Rule Change Proposal

Rule Change ID:

Date Received:

Submitted by

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Address:	Level 22, Forest Centre, 221 St Georges Terrace, Perth, Western Australia 6000
Date submitted:	13-06-2007
Urgency:	High
Change Proposal title:	Reduction of Capacity Credits
Market Rule(s) affected:	Capacity Market Rule

Introduction

The Independent Market Operator (IMO) is pleased to receive your proposal for a rule change to the Wholesale Electricity Market (WEM) rules. The IMO is committed to providing a fair and transparent process for the consideration of rule change proposals. This document provides an overview of the proposal and the IMO's initial assessment.

Independent Market Operator
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The proposal seeks to reduce the capacity credits available to generators in the WEM. This is intended to address the issue of overcapacity in the market, which has led to a reduction in the market clearing price and a corresponding increase in the cost of electricity for consumers. The IMO will consider the proposal in light of the need to maintain a competitive and efficient market, while also ensuring the reliability of the electricity supply.

The IMO will conduct a detailed analysis of the proposal, including a cost-benefit analysis and a consultation with interested parties. The results of this analysis will be published on the IMO's website. The IMO will also hold public consultations to allow stakeholders to provide their views on the proposal. The IMO will then make a decision on whether to approve the proposal, and if so, on what terms and conditions.

Details of the proposed Market Rule Change

1) Describe the concern with the existing Market Rules that is to be addressed by the proposed Market Rule change:

There is a concern that the existing Market Rules do not adequately address the risk of market manipulation, specifically the risk of spoofing. Spoofing is a practice where a trader places a large order to create a false impression of market liquidity, which is then cancelled before execution. This can lead to price volatility and unfair trading conditions for other market participants. The proposed Market Rule change aims to address this concern by introducing measures to detect and prevent spoofing, such as monitoring for large orders that are frequently cancelled and imposing penalties on traders who engage in such behavior.

4) Describe how the proposed Market Rule change would allow the Market Rules to better address the Wholesale Market Objectives:

(a) *to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;*

Answer in 1000 words or less