

1. INTRODUCTION

On 25 February 2008, the IMO submitted a Rule Change Proposal regarding the addition of new clauses 6.4.7 and 6.14.7 to the Wholesale Electricity Market Rules.

This Proposal is being processed using the Standard Rule Change Process, described in section 2.7 of the Market Rules.

The standard process adheres to the following timelines, outlined in section 2.7 of the Market Rules:

The key dates in processing this Rule Change Proposal are:

Based on the submissions received, the IMO's draft decision is to implement the Rule Change Proposal in the form outlined in section 6 of this Report.

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

2. THE RULE CHANGE PROPOSAL

2.1. Submission Details

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6.4.7. Once published under clause 6.4.3, STEM Clearing Prices cannot be altered, either through disagreement under clause 9.20.6, or through dispute under clause 9.21.

6.14.7. Once published under clause 6.14.1, MCAP, UDAP and DDAP cannot be altered, either through disagreement under clause 9.20.6, or through dispute under clause 9.21.

2.5. *The IMO's Initial Assessment of the Proposal*

3. SUBMISSIONS

The IMO received two submissions, from the Economic Regulation Authority and Landfill Gas & Power Pty Ltd, on the changes proposed by the IMO. The submissions are summarised below, and their full text is available on the IMO website.

3.1. Market Advisory Committee

The Market Advisory Committee (MAC) was first advised of the proposed rule change at its meeting on 13 February 2008. At this meeting MAC members agreed that the change was reasonable, and that it should be put forward by the IMO as a formal proposal.

MAC members were also invited to discuss the proposal at the MAC meeting on 12 March 2008, after the proposal had been published on the IMO website. All members of MAC expressed their support for the Rule Change.

MAC also discussed the timeframe within which prices are set by the IMO. System Management informed that in rare circumstances (1-2 times per year), a SCADA communication failure may mean that data for a unit is temporarily lost and needs to be retrieved, which may take an additional day. This was considered relevant to the Rule Change by MAC.

MAC agreed that it is more important that the data reswb1.322101(s)-0.299384P-4.7.175(e)221.18
so.749 -1074(l)4.47 89(vL)26.529(os)-0.299384

4. THE IMO'S ASSESSMENT AND DECISION

Impact	Wholesale Market Objectives
Allow the Market Rules to better address objective	b
Consistent with objective	a, c, d and e
Inconsistent with objective	-

The IMO' assessment against market objective (b) is as follows:

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

Under the current Market Rules, Market Participants face a potential risk of prices being altered through the settlement disagreement processes. The potential negative impact of changing prices on market instruments outside of the formalised market processes (such as bilateral contracts and customer supply agreements) could be significant.

Providing Participants with confidence that prices are not subject to changes outside of strict timelines will promote competition and will remove a potential risk to the market that could represent a barrier to entry. The IMO considers that the proposed changes, therefore, will allow the market objectives to better address market objective (b). In its submission, Landfill Gas and Power supported this assessment.

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.

4.2. IMO's Draft Decision

The IMO's draft decision is to implement the proposed amendments to clause 6.14.1 and the proposed new clauses 6.4.7, 6.14.1A, 6.14.7 and 7.13.1B to the Wholesale Electricity Market Rules.

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 thi

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7. GENERAL INFORMATION ABOUT RULE CHANGE PROPOSALS

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).