



Independent Market Operator

**Final Market Rule Change
Report**

**Title: Eligible Services for
Supplementary Reserve
Capacity**

Ref: RC_2008_28

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1. INTRODUCTION

On 11 September 2008, the Independent Market Operator (IMO) submitted a Rule Change Proposal regarding changes to clauses 4.24.3 and 4.24.19 of the Wholesale Electricity Market Rules (Market Rules).

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

The standard process adheres to the following timelines:

The key dates in processing this Rule Change Proposal are:

Based on the IMO's assessment of the Rule Change Proposal against the Market Objectives, the practicality and cost of implementing the proposal, views of the MAC and the submissions received, the IMO's final decision is to implement the Rule Change Proposal in the form outlined in section 8 of this Report.

This Final Rule Change Report on the Rule Change Proposal has been prepared by the IMO in accordance with clause 2.7.8 of the Market Rules.

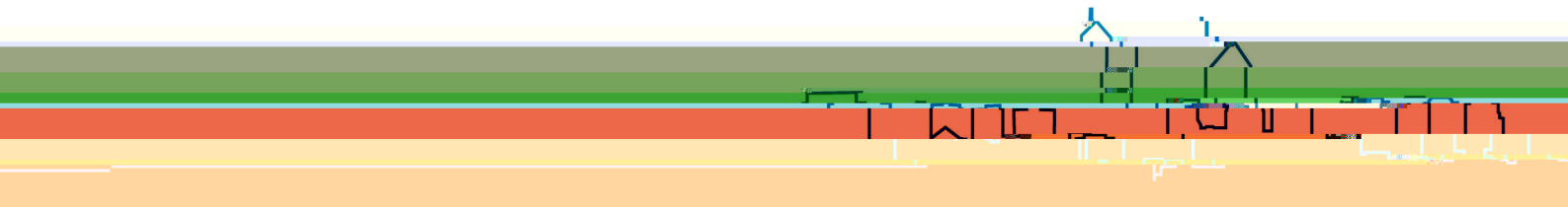
The amendments to the Market Rules made as a result of this Rule Change Proposal will commence at 08.00am on 1 February 2009.

The IMO's proposed amendments also clarify that Market Customers with a Demand Side Program that have failed to satisfy their Reserve Capacity Obligations in accordance with clause 4.8.3(d) cannot participate in the SRC process.

The IMO stated that a regular review of the SRC process against the Wholesale Market Objectives was suggested by the SRC Working Group, given the fact that the use of SRC may place a considerable financial burden on the market and that it was intended to be a very infrequent event.

The IMO also proposed that clause 4.24.19 be added stipulating that a review must follow each call for tenders of SRC where that review must entail an assessment of the appropriateness of the provisions pertaining to SRC under clause 4.24 and a public consultation process seeking to garner feedback on the outcome of the review.

(iii) the electricity is generated or the load reduction is provided, by capacity for



wording of this Rule Change was subject to considerable deliberations within the Working Group to ensure that the risks of Market Participants taking advantage of the SRC process by extracting supernormal profits through subverting the standard Reserve Capacity Cycle were mitigated.

Synergy supported the IMO's view that the condition of holding Capacity Credits for future cycles is very necessary in order to prevent Registered Facilities with Capacity Credits in previous Reserve Capacity Cycles from withholding them from the normal capacity credit

of Registered Facilities (including registered Loads) ~~or~~ and reductions provided by a Market Customer with a Demand Side Programme that does not satisfy its Reserve Capacity Obligations for the current Reserve ~~e~~Capacity Cycle in accordance with clause 4.8.3(d) at the time the IMO seeks to acquire supplementary capacity;

- (b) the generation of electricity by generation systems that are not Registered Facilities;
- (c) the generation of electricity by generation systems, or load reductions provided by loads, that are Registered Facilities but only to extent that the electricity is generated, or the load reduction is provided, by capacity for which the relevant Market Participant, either:
 - (i) does not hold Capacity Credits in the current Reserve Capacity Cycle; and
 - (ii) has not held Capacity Credits in the current Reserve Capacity Cycle or a previous Reserve Capacity Cycle; and
 - (iii) holds Capacity Credits in a subsequent Reserve Capacity Cycle;

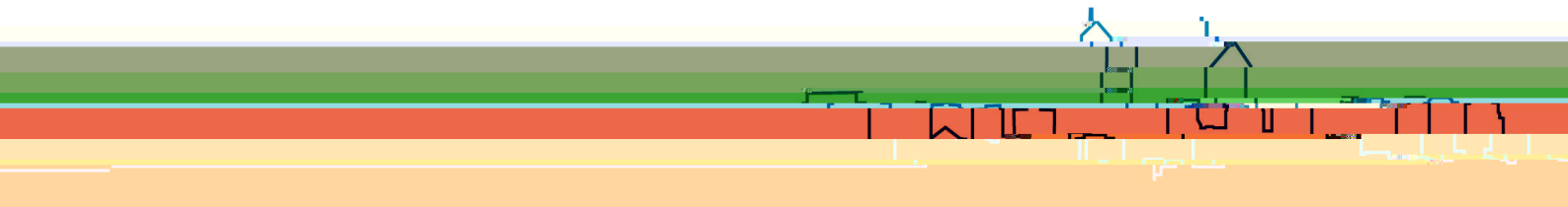
or

 - (iv) provides evidence satisfactory to the IMO, prior to a Supplementary Capacity Contract taking effect, that:
 - 1. costs have been incurred to enable the provision of the capacity through the installation of physical equipment; and
 - 2. the capacity is in addition to the sent out capacity of the generation system, or the maximum amount of load that can be curtailed, that existed prior to the installation of the physical equipment.

4.24.19. Following each call for tenders for supplementary capacity or otherwise acquiring Eligible Services, the IMO must review the Supplementary Reserve Capacity provisions of this section 4.24 of the Market Rules with regard to the Wholesale Market Objectives and must undertake a public consultation process in respect of the outcome of the review.

4. THE IMO'S DRAFT DECISION

The IMO's draft decision was to implement the proposed amendments to clauses 4.24.3 and 4.24.19 as proposed by the IMO and amended during the first submission period. The amendment during the first submission period was as



of Registered Facilities (including registered Loads) and reductions provided by a Market Customer with a Demand Side Programme that does not satisfy its Reserve Capacity Obligations for the current Reserve Capacity Cycle in accordance with clause 4.8.3(d) at the time the IMO seeks to acquire supplementary capacity; and

(b) the generation of electricity by generation systems that are not Registered Facilities;

(c) the generation of electricity by generation systems, or load reductions provided by loads, that are Registered Facilities but only to extent that the electricity is generated, or the load reduction is provided, by capacity for which the relevant Market Participant, either:

(i) does not hold Capacity Credits in the current Reserve Capacity Cycle; and

(ii) has not held Capacity Credits in the current Reserve Capacity Cycle or a previous Reserve Capacity Cycle; and

(iii) holds Capacity Credits in a subsequent Reserve Capacity Cycle;

or

(iv) provides evidence satisfactory to the IMO, prior to a Supplementary Capacity Contract taking effect, that:

