

1. INTRODUCTION

On 21 April 2009 the Independent Market Operator (IMO) submitted a Rule Change Proposal regarding changes to clauses 3.21A.3, 3.21A.7, 3.21A.7A, 3.21A.16 (new), 4.12.6 (c), 4.26.1A (a), 7.9.4 and 10.6.1 of the Wholesale Electricity Market Rules (Market Rules).

This Rule Change 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:

In accordance with clause 2.5.10 of the Market Rules the IMO extended the timeframe for preparing this Draft Rule Change Report until 24 July 2009. An extension notice was published on the IMO website on 6 July 2009. The key dates in processing this proposal are:

Please note that the Commencement Date is provisional and may be subject to change in the Final Rule Change Report.

The IMO's draft decision is to accept the Rule Change Proposal. The detailed reasons for the IMO's decision are set out in section 5 of this report. In making its draft decision on the Rule Change Proposal, the IMO has taken into account:

- the Wholesale Market Objectives;
- the practicality and cost of implementing the proposal;
- the views of the Market Advisory Committee (MAC); and
- the submissions received.

2 CALL FOR SECOND ROUND SUBMISSIONS

The IMO invites interested stakeholders to make submissions on 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 5.00pm on **Friday 21 August 2009**.

The IMO prefers to receive submissions by email to market.development@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 Development and System Capacity
 PO Box 7096
 Cloisters Square, PERTH, WA 6850
 Fax: (08) 9254 4399

3. THE RULE CHANGE PROPOSAL

3.1 *on De*

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Address:	Level 3, Governor Stirling Tower, 197 St George's Terrace
Date submitted:	21 April 2009
Urgency:	High
Change Proposal title:	Updates to Commissioning Provisions
Market Rules affected:	Clauses 3.21A.3, 3.21A.7, 3.21A.7A, 3.21A.16 (new), 4.12.6 (c), 4.26.1A (a), 7.9.4 and 10.6.1

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Draft Rule Change Report:

Proposal

3 Amending Rules Proposed by the IMO

The Amending Rules originally proposed by the IMO were presented in the Rule Change Notice, available on the IMO website

3 The IMO's Assessment of the Proposed Amending Rules

The IMO decided to proceed with the proposal on the basis of its preliminary assessment, which indicated that the proposal was consistent with the Wholesale Market Objectives.

4. FIRST SUBMISSION PERIOD

The first submission period for this Rule Change Proposal was between 28 April 2009 and 9 June 2009.

4.1 Submissions Received

The IMO received submissions from Alinta, Griffin E

the Facility is able to provide a proportion of its

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5. THE IMO'S ASSESSMENT

In preparing its Draft Rule Change Report, the IMO must assess the Rule Change Proposal in light of clauses 2.4.2 and 2.4.3 of the Market Rules.

Market Rule 2.4.2 outlines that the IMO *“must not make Amending Rules unless it is satisfied that the Market Rules, as proposed to be*

Impact	Wholesale Market Objectives

The IMO's 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;*

The IMO considers that the proposed changes will support market objective (b) by facilitating the efficient entry of new competitors. In particular the proposed amendments will allow the energy market payments and the Reserve Capacity Obligations to be decoupled during commissioning of new generators. This will mean that the new generators will not be subject to UDAP and DDAP payments if commissioning post 30 November. These payments will not apply for a four month period after first connection to the SWIS and which will reduce the financial risk associated with entering the market for new participants. This will potentially result in a greater amount of investment in new projects.

Competition

The proposed changes will also require some changes to both the Wholesale Electricity Market System and Settlement Systems operated by the IMO. These changes will cost approximately AUD \$17,000.

System Management has indicated that the proposed rule change may also require some changes to System Management's IT systems. System Management has not yet supplied the IMO with a costing for these proposed changes.

Submission

Of the four submissions received during the first submission period all supported the intent of the proposal, as the changes will help facilitate entry into the market by new competitors. This is achieved by allowing Commissioning Tests after 30 November of the Capacity Year and by not requiring new generators, while commissioning, to pay UDAP and DDAP during a specified period.

There were some concerns with the current drafting of the Amending Rules in the submissions received during the first submission period. The IMO has responded to each of the issues raised below:

Four-month timeframe

- System Management contends that the timeframe for Market Participants to commission may be restricted to less than the intended four month period as it is currently drafted in the Rule Change Proposal.

The IMO notes that Commissioning Tests start from the first connection to the SWIS, not when the Commissioning Test plan is submitted. If the commissioning is delayed before the first connection to the SWIS, another plan can be submitted with a different start date under clause 3.21A.4 (b).

consideration as to how the market objectives are advanced through the proposed changes.

The IMO considers that market objectives (a) and (b) are advanced by increastw(b

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- (a) if the aggregate MW equivalent to the quantity of Capacity Credits (as modified from time to time under the Market Rules) for a Facility is less than the Certified Reserve Capacity for that Facility at any time (for example as a result of the application of clause 4.20.1, clause 4.25.4 or clause 4.25.6), then the IMO must reduce the Reserve Capacity Obligation Quantity to reflect the amount by which the aggregate Capacity Credits fall short of the Certified Reserve Capacity;
- (b) subject to clause 4.27.9, during Trading Intervals where there is a Consequential Outage or a Planned Outage for a Facility provided to the IMO by System Management in accordance with clause 7.3.4, the IMO must reduce the Reserve Capacity Obligation Quantity for that Facility, after taking into account any adjustments in accordance with paragraph (a), to reflect the amount of capacity unavailable due to that outage;
- (c) if the Facility Scheduled Generator, which for the purposes of clause 3.21A.3 has undergone significant maintenance, is subject to a Commissioning Test during a Trading Interval then the Reserve Capacity Obligation Quantity for that Facility must be zero during that Trading Interval.

4.26.1A. The IMO must calculate the Forced Outage refund for each Facility (“**Facility Forced Outage Refund**”) as the lesser of:

- (a) the sum over all Trading Intervals t in Trading Month m of the product of:
 - i the Off-Peak Trading Interval Rate or Peak Trading Interval Rate determined in accordance with the Refund Table applicable to Trading Interval t ; and
 - ii the Forced Outage Shortfall in Trading Interval t ,

where the Forced Outage Shortfall for a Facility is equal to:

- ~~i.~~ iii the Forced Outage in that Trading Interval measured in MW; or
- ~~ii.~~ iv. the number of Capacity Credits associated with an Intermittent Facility in which are deemed to not have been commissioned for the purposes of clause 4.26.1; ~~and~~ or
- v the number of Capacity Credits associated with Facilities which are undergoing approved Commissioning Tests and for the purposes of clause 3.21A.3 are new generating systems; and

- (b) the total value of the Capacity Credit payments associated with the relevant Facility paid or to be paid under these Market Rules to the relevant Market Participant for the 12 Trading Months commencing at the start of the Trading Day of the most recent 1 October, assuming