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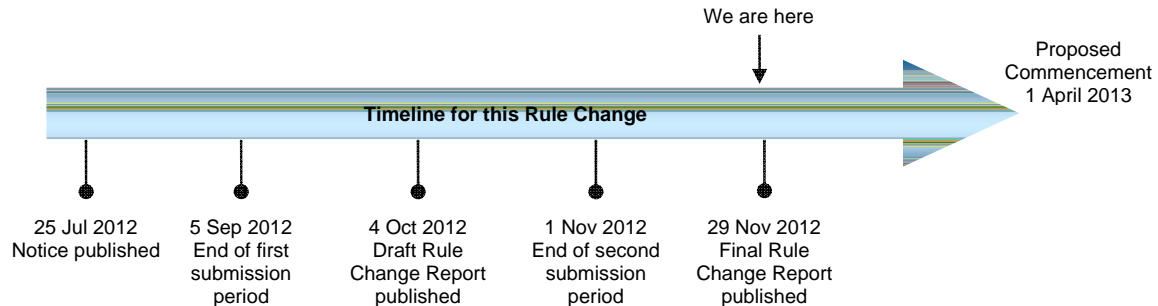
1.

1. Rule Change Process and Timetable

On 25 July 2012 the IMO submitted a Rule Change Proposal regarding amendments to numerous clauses of the Wholesale Electricity Market Rules (Market Rules).

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

The key dates in processing this Rule Change Proposal are:



2. Proposed Amendments

2.1. The Rule Change Proposal

The IMO, Griffin Energy and Verve Energy have recently identified similar issues relating to:

Potential for Market Generators to be liable for civil penalties where an application for a Commissioning Test is made within the 20 Business Days notice period currently outlined in clause 3.21A.4 of the Market Rules; and

Inability for a Market Participant to change the proposed Commissioning Test Period as approved in its Commissioning Test plan where an extension to the end date of a Commissioning Test Period is required.

To address these two issues the IMO considers that a Market Participant should be able to request and System Management should be able to approve (if it considered appropriate):

A Commissioning Test plan within a shorter application period than currently provided under the Market Rules (20 Business Days).

A revision to its original Commissioning Test Plan to amend the applicable Commissioning Test Period or change the tests to be undertaken.

In particular, the IMO proposed to shorten the Commissioning Test Plan application period to be 7 Trading Days before the start date of the proposed Commissioning Test. Note that this will be a best endeavours requirement which will take into account reduced timeframes where a revision to a Commissioning Test plan is requested.

A number of further revisions to the approvals process for Commissioning Test plans were also proposed by the IMO to improve the integrity of the process and ensure System Management has sufficient discretion to reject a Commissioning Test plan received under the proposed shorter timeframes where it does not have sufficient time to consider the new or revised plan. For full details of the Rule Change Proposal please refer to the Market Web Site: http://www.imowa.com.au/RC_2012_12

2.2. The IMO's Initial Assessment of the Proposal

The IMO decided to proceed with the proposal on the basis that Market Participants should be given an opportunity to provide submissions as part of the rule change process.

3. Consultation

3.1. The Market Advisory Committee

The Market Advisory Committee (MAC) discussed the proposal at its 11 July 2012 meeting. During the meeting Ms Fiona Edmonds advised the MAC that the Pre Rule Change Proposal: Updates to Commissioning Tests (PRC_2012_12) had been prepared by the IMO in conjunction with Griffin Energy and Verve Energy following identification of two issues relating to the Commissioning Test process under the Market Rules. An overview of the key points raised during the discussion by the MAC is given below:

Ms Edmonds noted that Griffin Energy had requested to reduce the timeframes for a request for a Commissioning Test from the seven Trading Days that the IMO had proposed (currently 20 Business Days). Ms Edmonds sought the views of members on moving those dates forward.

Ms Jacinda Papps noted that Verve Energy was very appreciative that the IMO had worked with it on this issue. Verve Energy's main concern was around revisions to Commissioning Test Plans. Verve Energy was comfortable with the 20 Business Day timeframe for a new Commissioning Test Plan but considered more flexibility was needed when there are changes to the original plan.

Mr Shane Cremin and Mr Phil Kelloway queried whether the IMO would consider defining 'Significant Maintenance'. Ms Edmonds responded that the IMO had considered this previously but had found that 'Significant Maintenance' is used in a number of areas of the

The MAC agreed for PRC_2012_12 to be formally submitted into the Rule Change process, subject to the IMO recognizing that there are further issues with the process of commissioning and testing to be looked at separately.

Further details are available in the MAC meeting minutes available on the Market Web Site: <http://www.imowa.com.au/MAC>

3.2. Submissions received during the first submission period

The first submission period for this Rule Change Proposal was between 26 July 2012 and 5 September 2012. Submissions were received from Community Electricity, Perth Energy, Synergy, System Management and Verve Energy.

All submissions received by the IMO supported the intent of improving the flexibility of the application and approval processes for undertaking Commissioning Tests. In its submission Verve Energy recommended a number of minor changes to the clause references in certain clauses. Likewise, Perth Energy raised issues in regard to the timelines and criteria surrounding the application, approval and cancellation processes for Commissioning Test Plans. Perth Energy also suggested a number of minor additional amendments.

System Management supported the intent of the proposal but recommended amendments to the definition of a Commissioning Test Plan and the inclusion in the Market Rules of a deadline by which a Commissioning Test Plan must be received to be considered. System Management also raised a number of broader commissioning issues. System Management supported the IMO's intent to include into the Draft Rule Change Report a clause prohibiting a Market Participant from requesting a new or revised Commissioning Test Plan principally to avoid exposure to capacity refunds. System Management also supported the IMO's intention to attach civil penalties for

3.3. The IMO's response to submissions received during the first submission period

The IMO's response to submissions received during the first submission period is detailed in

A copy of all submissions in full received during the second submission period is available on the following Market Web Site http://www.imowa.com.au/RC_2012_12

3.5. The IMO's response to submissions received during the second submission period

any technical studies that the IMO considers necessary to assist in assessing the Rule Change Proposal.

The IMO notes that there has not been any applicable policy direction from the Minister in respect of this Rule Change nor has it commissioned a technical review in respect of this Rule Change Proposal. A summary of the views expressed in submissions and by the MAC is available in section 3 of this Final Rule Change Report.

Details of the additional amendments to the Amending Rules made following the first and second submission periods are presented in section 6.1 below. The IMO's assessment of the Rule Change Proposal, inclusive of the further amendments made following the first and second submission periods, is outlined in the following sub-sections.

6.1. Additional Amendments to the Amending Rules

Following the first public submission period the IMO made some additional changes to the proposed Amending Rules. The changes the IMO made to the Amending Rules presented in the Rule Change Proposal are outlined in section 5.1 and Appendix 1 of the Draft Rule Change Report.

Following the second public submission period the IMO has made some additional changes to the

greater flexibility to generators undertaking commissioning activities the IMO considers that any

7. The IMO's Decision

Based on the matters set out in this report, the IMO's decision is to accept the Rule Change Proposal as modified following the first and second submission periods.

7.1. Reasons for the decision

The IMO has made its decision on the basis that the Amending Rules:

- better achieve Wholesale Market Objective (a) and are consistent with the remaining Wholesale Market Objectives;
- do not involve any IT system or process changes to implement;
- have the general support of the MAC; and
- have the support of the submissions received during the first and second submission periods.

Additional detail outlining the analysis behind the IMO's decision is outlined in section 6 of this Final Rule Change Report.

8. Amending Rules

8.1. Commencement

The amendments to the Market Rules resulting from this Rule Change Proposal will provisionally commence at **8.00 am** on **1 April 2013**.

8.2. Amending Rules

The IMO has decided to implement the following Amending Rules (~~deleted text~~, added text):

3.21A Commissioning Tests

- 3.21A.1. A Commissioning Test ("Commissioning Test") is a ~~test of the~~ series of activities which confirm the ability of a generating system to operate at different levels of output reliably.
- 3.21A.2. A Market Participant ~~seeking to conducting~~ conducting a Commissioning Test for:
 - (a) an existing generating system that has undergone significant maintenance; or
 - (b) ~~for~~ a new generating system that has yet to commence operation, must conduct ~~request permission for~~

- 3.21A.3. System Management may approve a Commissioning Test Plan only for a new generating system that is yet to commence operation, or for an existing generating system that has undergone significant maintenance.
- 3.21A.4. A Market Participant requesting permission for a Commissioning Tests must use best endeavours to submit to System Management its Commissioning Test Plan for approval at least 7 Trading Days prior to the start of the Commissioning Test Period. A Commissioning Test Plan must contain the following information at least 20 Business Days in advance of the start date of the proposed tests:
- (a) the name and location of the facility to be tested;
 - (b) details of the proposed Commissioning Test Period, including start and end Trading Intervals and dates for the proposed Commissioning Tests; and
 - (c) details of the proposed Commissioning Test to be undertaken tests to be conducted, including an indicative test program, fuel mix and trip risk of the facility to be tested; and
 - (d) contact details for the relevant contact persons at the facility to be tested, where such persons must be contactable by System Management during all Trading Intervals during the proposed Commissioning Test Period

3.21A.5. A

3.21A.9. System Management must notify a Market Participant as to whether System Management ~~it~~ has approved a Commissioning Test Plan ~~within 10 Business Days of receiving the notification described in clause 3.21A.4. as soon as practicable but in any event no later than 8:00am on the Scheduling Day for which the Commissioning Test Plan would apply.~~

3.21A.10. Where System Management notifies a Market Participant that:

- (a) a Commissioning Test Plan has not been approved ~~it must then:~~
 - i. System Management must provide an explanation for its decision;
 - ii. if the Commissioning Test Plan complied with clause 3.21A.7(a) but did not comply with any or all of clauses 3.21A.7(b) or 3.21A.7(d) then, System Management and the Market Participant must use their best endeavours to agree to an alternative time for the relevant Commissioning Test that is consistent with the requirements in clause 3.21A.7; and
 - iii. where System Management and the Market Participant agree an alternative time under clause 3.21A.10(a)(ii), the Market Participant must, as soon as practicable, submit a revised Commissioning Test Plan which reflects the agreed alternative time to System Management and System Management must approve that revised Commissioning Test Plan; or
- (b) a Commissioning Test Plan has been approved then, subject to clause 3.21A.11, the Market Participant may proceed with that Commissioning Test

3.21A.11. If, having approved a Commissioning Test Plan, System Management becomes aware that:

- (a) ~~the conducting any of the test activities~~ at the proposed time would pose a threat to Pow ti

- (a) inform System Management as soon as practicable; and
- (b) obtain System Management's approval ~~under this clause 3.21A. for a new Commissioning Test~~ of a Commissioning Test Plan for that Commissioning Test if it wishes to conduct that Commissioning Test.

3.21A.14. [Blank]

3.21A.15. System Management must document the procedure it follows in scheduling and approving Commissioning Tests in the Power System Operation Procedure and System Management and Market Participants must follow that documented Market Procedure when planning and conducting Commissioning Tests.

3.21A.16. By 8.30am each day System Management must provide the IMO with the information submitted under clause 3.21A.4 for Commissioning Tests Plans approved under clauses 3.21A.9 and 3.21A.10(a)(iii) for the Trading Day following the current Scheduling Day.

3.21A.17. A reference in these Market Rules to an "approved Commissioning Test" shall be interpreted to mean a "Commissioning Test specified in the most recent Commissioning Test Plan approved by System Management".

4.12.6. Subject to clause 4.12.7, any initial Reserve Capacity Obligation Quantity set in accordance with clauses 4.12.4, 4.12.5, 4.28B.4, or 4.28C.4 is to be reduced once the Reserve Capacity Obligations take effect, as follows:

...

- (c) if the generating system, which for the purposes (Sya2)-58Tc.84 5-5.8(oTest" k,htnder cITJET262

referred to in clause 3.21A.2(b), the number of Capacity Credits associated with the relevant Facility; or

- vi. if, from the Trading Day commencing on 30 November of Year 3 for Reserve Capacity Cycles up to and including 2009 or 1 October of Year 3 for Reserve Capacity Cycles from 2010 onwards, the Facility is not yet undergoing an approved Commissioning Test and, for the purposes of permission sought under clause 3.21A.2, is a new generating system referred to in clause 3.21A.2(b), the number of Capacity Credits associated with the relevant Facility; or

7.9.4. System Management must grant permission to synchronise unless:

- (a) the synchronisation is not in accordance with the relevant Resource Pooling Rule 7.2(a), 7.2(b), 7.2(c), 7.2(d), 7.2(e), 7.2(f), 7.2(g), 7.2(h), 7.2(i), 7.2(j), 7.2(k), 7.2(l), 7.2(m), 7.2(n), 7.2(o), 7.2(p), 7.2(q), 7.2(r), 7.2(s), 7.2(t), 7.2(u), 7.2(v), 7.2(w), 7.2(x), 7.2(y), 7.2(z), 7.2(aa), 7.2(ab), 7.2(ac), 7.2(ad), 7.2(ae), 7.2(af), 7.2(ag), 7.2(ah), 7.2(ai), 7.2(aj), 7.2(ak), 7.2(al), 7.2(am), 7.2(an), 7.2(ao), 7.2(ap), 7.2(aq), 7.2(ar), 7.2(as), 7.2(at), 7.2(au), 7.2(av), 7.2(aw), 7.2(ax), 7.2(ay), 7.2(az), 7.2(ba), 7.2(bb), 7.2(bc), 7.2(bd), 7.2(be), 7.2(bf), 7.2(bg), 7.2(bh), 7.2(bi), 7.2(bj), 7.2(bk), 7.2(bl), 7.2(bm), 7.2(bn), 7.2(bo), 7.2(bp), 7.2(bq), 7.2(br), 7.2(bs), 7.2(bt), 7.2(bu), 7.2(bv), 7.2(bw), 7.2(bx), 7.2(by), 7.2(bz), 7.2(ca), 7.2(cb), 7.2(cc), 7.2(cd), 7.2(ce), 7.2(cf), 7.2(cg), 7.2(ch), 7.2(ci), 7.2(cj), 7.2(ck), 7.2(cl), 7.2(cm), 7.2(cn), 7.2(co), 7.2(cp), 7.2(cq), 7.2(cr), 7.2(cs), 7.2(ct), 7.2(cu), 7.2(cv), 7.2(cw), 7.2(cx), 7.2(cy), 7.2(cz), 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Appendix 1. Responses to Submissions received during the second submission period

	Submitter	Comment/Change requested	IMO Response
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	Submitter	Comment/Change requested	IMO Response
		<p>expressed similar concerns with respect to its obligations relating to applications for Opportunistic Maintenance.</p> <p>Alinta Energy notes the parallels between what is proposed and the current treatment of Planned Outages. In particular where the IMO determines that a breach of clause 3.18.7 of the Market Rules has occurred they may apply to the Electricity Review Board for the application of a Category C Civil Penalty. Alinta Energy does however note that there may be difficulties associated with determining whether a Commissioning Test Plan has been submitted purely with the intention to avoid exposure to Reserve Capacity refunds in some circumstances.</p>	
2	Alinta Energy	<p>Alinta Energy questions the need to commence the Amending Rules at the same time as the Regulations in this case given that there are no proposed changes to Reviewable Decisions.</p> <p>As clause 3.21A.5:</p> <p style="padding-left: 40px;">has been an obligation under the Market Rules since market start; and</p> <p style="padding-left: 40px;">does not relate directly to the proposed amended commissioning regime under RC_2012_12,</p>	<p>A number of participants have suggested in their submissions that the commencement of the Amending Rules should not be delayed to align with the implementation of the Regulations. After further review the IMO supports this suggestion. While it would be desirable for the Amending Rules and the Regulations to be implemented at the same time, should this not be possible the benefits of this Rule Change are sufficient to warrant implementing the Amending Rules prior to the amendments to the Regulations.</p>

Submitter	Comment/Change requested	IMO Response
	3.21A.5A to the proposed amendments to the effect that a Market Generator must not request a Commissioning Test Plan principally to avoid exposure	

	Submitter	Comment/Change requested	IMO Response
		<p>prescriptive detail that the IMO should be seeking to avoid in its drafting. Additionally, Verve Energy considers that it is inappropriate to list just one example of what would be considered to be a breach of a good faith provision.</p>	
9	Verve Energy	<p>The addendum to the Draft Rule Change Report released by the IMO indicates that if Civil Penalties are attached to clause 3.21A.5 the timing of the required changes to the Electricity Industry (Wholesale Electricity Market) Regulations 2004 would occur at the same time as the currently proposed commencement date of 1 March 2013. The IMO also noted that this timeline is subject to any timing restrictions arising from a caretaker government period.</p> <p>Verve Energy does not support delaying the commencement of the Rule Change Proposal to wait for other regulatory amendments to be made (particularly when there is no certainty around when these other regulatory amendments might be made). Verve Energy considers that the current commissioning test process is inflexible and largely unworkable and that aligning the commencement date with the commencement of other regulatory amendments is inappropriate in this instance. Verve Energy suggests that the IMO consider</p>	Please refer to the IMO's response to issue 2

	Submitter	Comment/Change requested	IMO Response
10	Verve Energy	revising the proposed commencement date to allow the Amending Rules to commence as soon as practicable.	
		<p>In the Draft Rule Change Report the IMO noted that it follows a convention whereby it only deletes “blank” clauses when this does not break the consecutive sequencing of the clauses. As a result of this convention the IMO has proposed:</p>	



Appendix 2. Further Amendments to the Proposed amending rules

The IMO has made some amendments to the Amending Rules following the second submission period. These changes are as follows (~~deleted text~~, added text):

3.21A.2. A Market Participant conducting a Commissioning Test for:

- (a) an existing generating system that has undergone significant maintenance; or
 - (b) a new generating system that has yet to commence operation,
- must conduct such tests under Commissioning Test Plan approved by System Management.

~~3.21A.5.A A Commissioning Test Plan submitted by a Market Participant principally to avoid exposure to Reserve Capacity refunds as described in clause 4.26 shall be deemed to be in breach of the good faith intention in clause 3.21A.5.~~

3.21A.7. System Management must approve a Commissioning Test Plan, unless:

- (a) in its opinion inadequate information is provided in the Commissioning Test Plan; or
- (b) in its opinion conducting any of the proposed activities to be undertaken at the proposed times would pose a threat to Power System Security or Power System Reliability; or
- (c) ~~[Blank] in the case of a new generating system that is yet to commence operation, the proposed Commissioning Test Period is greater than four months; or~~
- (d) in its opinion inadequate time to properly consider the Commissioning Test Plan has been provided, where the request has been received less than 20 Trading Days prior to the start date of the proposed Commissioning Test.

3.21A.10. Where System Management notifies a Market Participant that:

- a) a Commissioning Test Plan has not been approved then:
 - i. System Management must provide an explanation for its decision;
 - ii. if the Commissioning Test Plan complied with clause 3.21A.7(a) but did not comply with any or all of clauses 3.21A.7(b), ~~3.21A.7(e)~~ or 3.21A.7(d) then, System Management and the Market Participant must use their best endeavours to agree to an alternative time for the relevant Commissioning Test that is consistent with the requirements in clause 3.21A.7; and
 - iii. where System Management and the Market Participant agree an alternative time under clause 3.21A.10(a)(ii), the Market Participant must,

as soon as practicable, submit a revised Commissioning Test Plan which reflects the agreed alternative time to System Management and System Management must approve that revised Commissioning Test Plan; or

- (b) a Commissioning Test Plan has been approved then, subject to clause 3.21A.11, the Market Participant may proceed with that Commissioning Test