



Rule Change Notice :



Decision to progress the Rule Change Proposal

The IMO has decided to progress this Rule Change Proposal on the basis that it considers, as outlined in section 4 of the Rule Change Proposal, that it will better achieve Wholesale Market Objective (a) and is consistent with the remaining objectives. Therefore, the IMO considers that stakeholders should be given an opportunity to provide submissions as part of the rule change process.

The IMO proposes to progress this Rule Change Proposal under the Fast Track Rule Change Process on the basis that it satisfies the criteria under clauses 2.5.9(b) and (c) of the Market Rules. The IMO considers the proposed Amending Rules are urgently required and essential for the effective operation of the market and would otherwise result in a manifest error, as the IMO must publish the LT PASA and set the Reserve Capacity Requirement for the 2014 Reserve Capacity Cycle in 2015, prior to the assignment of Capacity Credits for the 2014 Reserve Capacity Cycle, which is scheduled to occur in September 2015².

Timeline

The projected timelines for progressing this proposal are:

Call for submissions

The IMO invites interested stakeholders to make submissions on this Rule Change Pr.5()0.5sd(C)50.5:(or1

Rule Change Proposal: RC_2015_04

Change requested by:

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The Wholesale Market Objectives are:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- (c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.

Details of the Rule Change Proposal

1. Describe the concern with the existing Market Rules that is to be addressed by the proposed changes

Background

Under section 4.5 of the Market Rules, the IMO annually conducts the Long Term PASA (LT PASA) to determine the Reserve Capacity Target for each year of the LT PASA Study Horizon and prepare the Electricity Statement of Opportunities Report (ESOO) for each

4. Describe how the proposed changes would allow the Market Rules to better address the Wholesale Market Objectives

Clause 2.4.2 of the Market Rules states that the IMO must not make Amending Rules unless it is satisfied that the Market Rules, as proposed to be amended or replaced, are consistent with the Wholesale Market Objectives.

The IMO considers that this Rule Change Proposal will better achieve Wholesale Market Objective (a) and is consistent with the remaining 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

The IMO notes that the proposed Amending Rules will allow the IMO to publish the Reserve Capacity Target for the 2016/17 Capacity Year in the ESOO published in 2015. This timing is consistent with the 12 month deferral of the Reserve Capacity Cycle in the Ministerial Direction received on 29 April 2014 and will provide the necessary information to Market Participants regarding the need for new capacity at the time of the certification process for the 2014 Reserve Capacity Cycle.

5. Provide any identifiable benefits and costs of the proposed changes

Benefits

The proposed Amending Rules will ensure that the IMO can provide the necessary information for Market Participants to make decisions about investing in new capacity at the time of the certification process for the 2014 Reserve Capacity Cycle.

Costs

The IMO will incur minor administrative costs to facilitate the development and progression of this Rule Change Proposal. However, these costs can be accommodated within the IMO's existing budget.

6. Provide any considerations associated with the implementation of the proposed changes

The IMO notes that the proposed Amending Rules would need to commence before the publication of the ESOO for the 2014 Reserve Capacity Cycle which is due by 17 June 2015. If the proposed amendments are not made by this time, the IMO would not be able to publish the LT PASA or set the Reserve Capacity Requirement for the 2014 Reserve Capacity Cycle. This would:

- x be inconsistent with the Ministerial Direction received on 29 April 2014;
- x result in a manifestly incorrect outcome; and
- x directly affect the operation of the Reserve Capacity Mechanism, and therefore the market.

The IMO therefore proposes to progress this Rule Change Proposal under the Fast Track Rule Change Process