
Wholesale Electricity Market Rule Change Proposal Form

Change Proposal No: *[to be filled in by the IMO]*

Received date: *[to be filled in by the IMO]*

Change requested by

Name:	Pam Herbener
Phone:	(08) 9213 1966
Fax:	(08) 9213 1999
Email:	pam.herbener@era.wa.gov.au
Organisation:	Economic Regulation Authority
Address:	Level 6, 197 St Georges Terrace, PERTH WA 6000
Date submitted:	<date submitted to the IMO>
Urgency:	3-high – Fast Track
Change Proposal title:	Economic Regulation Authority's Budget
Market Rule(s) affected:	2.24.5 (change), 2.24.5A (new)

Introduction

Market Rule 2.5.1 of the Wholesale Electricity Market Rules provides that any person (including the IMO) may make a Rule Change Proposal by completing a Rule Change Proposal Form that must be submitted to the Independent Market Operator.

This Change Proposal can be posted, faxed or emailed to:

Independent Market Operator

Attn: Dora Guzeleva, Manager Market Administration
PO Box 7096
Cloisters Square, Perth, WA 6850

Fax: (08) 9254 4339

Email: marketadmin@imowa.com.au

The Independent Market Operator will assess the proposal and, within 5 Business Days of receiving this Rule Change Proposal form, will notify you whether the Rule Change Proposal will be further progressed.

In order for the proposal to be progressed, all fields below must be completed and the change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the wholesale electricity market objectives. The objectives of the market 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 proposed Market Rule Change

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

The Wholesale Electricity Market Rules make provision for the Economic Regulation Authority (Authority) to recover Regulator Fees for its monitoring and regulation services. This provision is made under clause 2.24.5 and 2.24.6 of the Market Rules as follows:

2.24.5 The Economic Regulation Authority may recover a portion of its budget determined by the Minister responsible for the Economic Regulation Authority which corresponds to the costs incurred by the Economic Regulation Authority in undertaking its Wholesale Electricity Market Related functions and other functions under these Market Rules from the collection of Regulator Fees under these Market Rules.

2.24.6 By the date which is five Business Days prior to 30 June each year, the Economic Regulation Authority must notify the IMO of the dollar amount that the Economic Regulation Authority may recover under 2.24.5.

In Clause 2.24.5, reference to “costs incurred” (past tense) is interpreted to mean the costs of the previous year.

The Authority calculates the costs of its Wholesale Electricity Market Related functions and other functions under these Market Rules on a full cost recovery basis. It is not possible to identify the full costs of these functions in a financial year before the end of year adjustments have been made and the final audit undertaken by the Office of the Auditor General has occurred.

There is currently no provision in the rules for an adjustment of costs to be made from one year to another. The requirement of Clause 2.24.6 to provide the IMO the dollar amount that the Authority can recover five business days prior to 30 June, without the ability to adjust that figure, creates a risk that the Market could be over-charged or under-charged for the Regulator fees.

The current rule provides for retrospective funding of the Authority's Wholesale Electricity Market function. This requires Government funding to be provided to the Authority to offset full cost recovery happening in the following year.

2. Explain the reason for the degree of urgency:

The proposed rule change will need to be in force by 1 June 2008 to facilitate appropriate recovery of costs relating to the Authority's Wholesale Electricity Market functions and therefore the Economic Regulation Authority considers that this request should be processed using the fast track processes allowed for by the Market Rules.

3. Provide any proposed specific changes to particular Rules: (for clarity, please use the current wording of the Rules and place a ~~strike through~~ where words are deleted and underline words added)

- 2.24.5 The Economic Regulation Authority may recover a portion of its budget determined by the Minister responsible for the Economic Regulation Authority which corresponds to the costs ~~incurred by~~ of the Economic Regulation Authority in undertaking its Wholesale Electricity Market related functions and other functions under these Market Rules from the collection of Regulator Fees under these Market Rules.
- 2.24.5A Where the revenue earned via Regulator Fees in the previous Financial Year is greater than or less than the Economic Regulation Authority expenditure related to the functions described in clause 2.24.5 for that Financial Year, the current year's budget must take this into account by decreasing the budgeted revenue by the amount of the surplus or adding to the budgeted revenue the amount of any shortfall, as the case may be.
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4. Describe how the proposed Market Rule change would allow the Market Rules to better address the Wholesale Market Objectives:

The function of the Authority is to monitor the market in meeting the Wholesale Market Objectives. The adequacy of funding the Authority receives under the Market Rules will enable it to be better resourced to perform its functions more effectively. The adequacy of proper resourcing is crucial to the Authority's ability to monitor the Wholesale Electricity Market and assess whether the objectives of the Market are being met.

In particular the proposed change will ensure that the long term cost of electricity supplied to customers from the South West interconnected system are minimised.

5. Provide any identifiable costs and benefits of the change:

The change will allow for the funding of Regulator Fees in the financial year they relate to. The change will also mitigate the risk of the Market being under-charged or over-charged for Regulator Fees. There are no identifiable costs associated with this proposed rule change. The rule change will ensure that market knows the expected cost associated with Regulator Fees in advance of such costs being incurred.
