

The background of the lower section is a photograph of a wind farm and power lines, overlaid with a semi-transparent blue filter. On the left, several white wind turbines are visible, their blades extending outwards. On the right, a tall metal lattice tower for high-voltage power lines stands prominently, with various insulators and cables attached. The overall scene is set against a clear sky.

Independent Market Operator

Rule Change Notice

**Title: Removal of Appendix 8
– “Top-up and Spill
Rules”**

Ref: RC_2009_41

Fast Track Rule Change Process

Date: 20 November 2009

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Independent Market Operator

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1. THE RULE CHANGE PROPOSAL

1.1. The Submission

On 20 November 2009 the Independent Market Operator (IMO) initiated a Rule Change Proposal regarding amendments to Clauses 1.8.2, 1.9.7, 1.9.8, 1.9.9, 1.9.10 and Appendix 8 of the Wholesale Electricity Market Rules (Market Rules).

This Rule Change Notice is published according to Market Rule 2.5.7, which requires the IMO to publish a notice when it develops a Rule Change Proposal.

1.1.1 Submission details

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Date submitted:	20 November 2009
Urgency:	Low
Change Proposal title:	Removal of Appendix 8 – "Top-up and Spill Rules"
Market Rule(s) affected:	Clauses 1.8.2, 1.9.7, 1.9.8, 1.9.9, 1.9.10 and Appendix 8

1.2. Details of the Proposal

Appendix 8 of the Wholesale Electricity Market (WEM) Rules (Market Rules) outlines the Top-up and Spill Rules (TUAS). These rules were provided as a precursor to the progressive implementation of the WEM. The TUAS ceased operations after the WEM balancing and trading arrangements commenced. Therefore Appendix 8 is no longer required in the Market Rules.

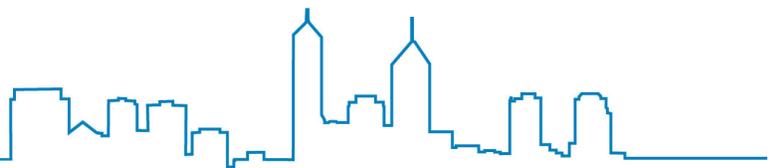
Retention of Appendix 8 makes the Market Rules needlessly lengthy and potentially confusing to Market Participants.

The IMO proposes to remove Appendix 8 and references to it in the Market Rules.

2. WHETHER THE PROPOSAL WILL BE PROGRESSED FURTHER

The IMO has decided to process this Rule Change Proposal using the Fast Track Rule Change Process, described in section 2.6 of the Market Rules, on the basis that it satisfies the criteria in section 2.5.9(a) of the Market Rules. All amendments included in this proposal are of a minor nature, and have no effect on the operation of the WEM.

Section 2.5.9 states:



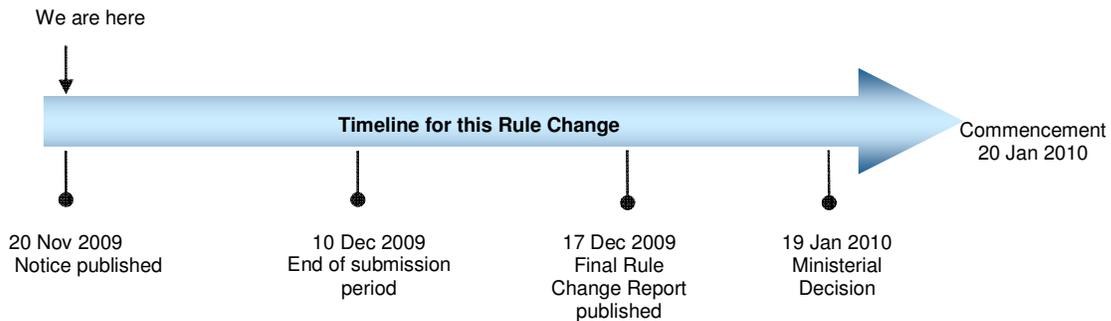
The IMO may subject a Rule Change Proposal to the Fast Track Rule Change Process if, in its opinion, the Rule Change Proposal:

(a) is of a minor or procedural nature; or

(b) is required to correct a manifest error; or

(c) is urgently required and is essential for the safe, effective and reliable operation of the market or the SWIS.

The projected timeline for processing this proposal is:



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

3. CALL FOR SUBMISSIONS

Any Rule Participant wishing to be consulted regarding this Rule Change Proposal is invited to notify the IMO within 5 Business Days of this notice being published (**26 November 2009**).

The consultation period is 15 Business Days from the publication date of this Rule Change Notice. Submissions must be delivered to the IMO by the close of business on **Thursday 10 December 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/rule-changes>

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

4. PROPOSED AMENDING RULES

The IMO proposes the following amendments to the Market Rules (~~deleted text~~, added text):

- 1.8.2. Chapter 1, Chapter 4, and Chapter 11 ~~and Appendix 8~~ commence when these Market Rules are made.
- 1.9.7. [Blank] ~~For the purposes of Regulation 4(3), Appendix 8 of these Market Rules has effect instead of the top-up and spill rules.~~
- 1.9.8. [Blank] ~~Where a word or a phrase is defined in Appendix 8 that word or phrase is defined for the purposes of Appendix 8 only.~~
- 1.9.9. [Blank] ~~Where in Appendix 8 there is a reference to a rule, a clause, a chapter or an appendix those references are confined to Appendix 8 only.~~
- 1.9.10. [Blank] ~~Appendix 8 ceases to have effect at Energy Market Commencement. The settlement of any transactions allowed under Appendix 8 and not settled by Energy Market Commencement must be conducted in accordance with Appendix 8 following Energy Market Commencement.~~

Appendix 8: Top-up and Spill Rules [Blank]

<Delete all of Appendix 8 as indicated below>

PREFACE

The first steps towards electricity reform were based on providing open access to Western Power's electricity transmission and distribution systems so that Independent Power Producers (IPPs) could directly supply customers whose demand exceeds the contestability threshold level. One requirement placed upon IPPs was that they balance their generation output with their load demands at all times. This required investment in load following equipment that made supply to smaller customers, those with demand less than a few megawatts, uneconomic. In recognition that perfect balancing was not possible, some tolerance was permitted but any imbalance beyond relatively low levels could incur significant costs.

In November 2002, Government accepted a recommendation from the Electricity Reform Task Force that Western Power be required to provide an improved transitional balancing service, a Top-up and Spill service, until the reformed electricity market, including a new balancing service, is fully operational. (ERTF Recommendation 76.)

<.... delete all text until...>

A6.54 — The *arbitrator* may increase the period of three months specified in clause A6.53 by periods of up to one month on one or more occasions provided it provides the parties (and each person who has made a written submission to the *arbitrator*) with a notice of the decision to increase the period.

A6.55 — The *arbitrator* need not before making a decision under clause A6.51(b) issue a draft decision.

A6.56 — *Generation and Networks* must comply with a decision of the *arbitrator* made under this Appendix 6 from the date specified by the *arbitrator*.

<Deletion of Appendix 8 complete>

5. ABOUT RULE CHANGE PROPOSALS

Market Rule 2.5.1 of the Market Rules provides that any person (including the IMO) may make a Rule Change Proposal by completing a Rule Change Proposal Form and submit this to the IMO.

The IMO will assess the proposal and, within 5 Business Days of receiving the proposal form, will notify the proponent whether the proposal will be progressed further.

In order for the proposal to be progressed the change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the Wholesale Market Objectives. The 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.

A Rule Change Proposal can be processed using a Standard Rule Change Process or a Fast Track Rule Change Process. The standard process involves a combined 10 weeks public submission period, while the fast track process involves the IMO consulting with Rule Participants who either advise the IMO that they wish to be consulted or are considered by the IMO to have an interest in the change.

