

Independent Market Operator



## **Final Market Rule Change Report**

### **Title: Standing Data Compliance Monitoring**

Ref: RC\_2008\_04

Date: 23 May 2008

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### Independent Market Operator

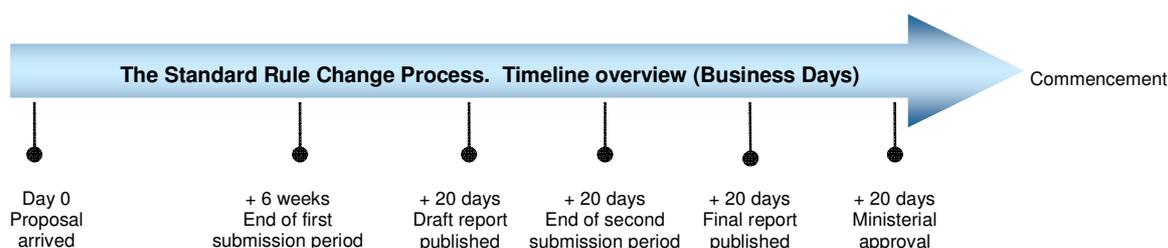
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## 1. INTRODUCTION

On 7 January 2008, System Management submitted a Rule Change Proposal regarding changes to clauses 2.13.9(a) and 2.34.12 of the Market Rules.

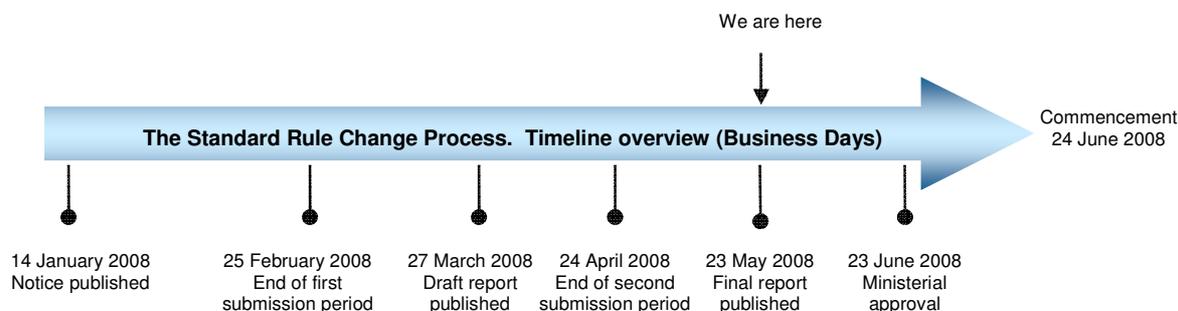
This Proposal has been processed using the Standard Rule Change Process, described in section 2.7 of the Wholesale Electricity Market Rules.

The standard process adheres to the following timelines, outlined in section 2.7 of the Market Rules:



This change relates, in part, to a Protected Provision. The IMO is required by clause 2.8.13 of the Market Rules to seek the approval of the Minister for Energy to any change to a Protected Provision. That approval must be sought after the IMO's Final Report on the Rule Change Proposal is published.

The key dates in processing this Rule Change Proposal are:



Based on the response received from interested parties, and the IMO's assessment of the proposed changes against the Market Objectives, the IMO's decision is to accept the rule changes as proposed by System Management.

This Final Rule Change Report on the Rule Change Proposal has been prepared by the IMO in accordance with clause 2.7.6 of the Market Rules.

## 2. THE RULE CHANGE PROPOSAL

### 2.1. *The Submission*

System Management submitted, on 7 January 2008, a Rule Change Proposal regarding changes to clauses 2.13.9(a) and 2.34.12 of the Wholesale Electricity Market Rules.

#### 2.1.1. *Submission Details*

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**Organisation:** System Management  
**Date submitted:** 07/01/2008  
**Urgency:** Normal

### 2.2. *Details of the Proposal*

Clause 2.13.9 (a) of the Market Rules states that:

System Management must monitor Rule Participants for breaches of the following clauses:

- (a) clauses 2.34.2, 2.34.2A and 2.34.3;
- (b) ...

This provision imposes an obligation upon System Management to monitor Rule Participants' compliance with the requirement to:

- provide to the IMO, and maintain, accurate standing data (clause 2.34.2);
- revise standing data once the participant becomes aware it is inaccurate, or will be inaccurate (clause 2.34.2A); and
- notify the IMO of certain aspects of revisions to standing data (clause 2.34.3).

System Management submitted that while it can observe outcomes related to some items of standing data (for example, those related to dispatch), a number of aspects of standing data are not visible to it (for example, those related to price), making the obligation to monitor the accuracy of standing data impracticable for it to fulfil.

System Management submitted, in addition, that it is not in a position to monitor a Rule Participant's notifications to the IMO of standing data revisions, or whether the Rule Participant has revised inaccurate standing data. Therefore System Management proposed to remove this obligation.

System Management submitted that the removal of System Management's obligation to monitor does not similarly affect the obligations of Rule Participants under clauses 2.34.2, 2.34.2A and 2.34.3. The obligation for Market Participants to submit and maintain accurate standing data, and to submit this in a specified format, will be unaffected by the proposed changes. System Management noted that a breach of these clauses would

continue to expose Rule Participants to the potential for civil penalties under the Electricity Industry (Wholesale Electricity Market) Regulations 2004.

System Management further submitted that clause 2.34.12 of the Market Rules states that the IMO must consult with System Management before making a decision to require a Rule Participant to provide updated standing data. This provision applies to all standing data, even that related to pricing. System Management considered that it is inappropriate that the provision continue in its current broad form, and suggested it be constrained to only non-price related data.

### **2.3. *The Proposal and the Market Objectives***

System Management submitted that these proposed Rule Changes would better address objective (a) of the Wholesale Market Objectives. That is, the changes as submitted would promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system.

System Management argued that the rule change would increase the certainty regarding the application of the rules, and aid economically efficient outcomes through the removal of an obligation which can not be satisfied by System Management.

### **2.4. *Amending Rules Proposed by System Management***

The Amending Rules proposed by System Management are outlined in Section 7 of this report.

### **3. SUBMISSIONS RECEIVED IN THE FIRST SUBMISSION PERIOD**

The first submission period for this Rule Change Proposal was between 14 January 2008 and 25 February 2008. The IMO received two submissions, from Synergy and from Landfill Gas and Power Pty, on the changes proposed by System Management. A summary of the submissions is provided below. The full text of the submissions can be found on the IMO website.

#### **3.1. *Submission from Synergy***

Synergy submitted that it viewed System Management's proposal as having some technical merit and did not foresee any material adverse impacts on Synergy's operations.

Synergy also accepted the System Management's view that the proposed rule change would increase the certainty regarding the application of the rules

Synergy identified no significant cost increases in implementing the rule change proposal, and indicated that implementation of the rule change proposal would not take a protracted period of time to implement.

Synergy expressed support for the proposal at this stage.

#### **3.2. *Submission from Landfill Gas & Power Pty Ltd (LGP)***

In its submission LGP supported System Management's contention that the proposed Rule Change would increase the certainty regarding the application of the rules, and aid economically efficient outcomes through the removal of an obligation that cannot be satisfied.

LGP expressed its support for the proposed Rule Change on the grounds that System Management should not be required to perform activities that it cannot satisfactorily fulfill. LGP supported System Management's contention that removal of the requirement would not affect the obligations of Rule Participants.

#### **3.3. *Market Advisory Committee***

The Market Advisory Committee (MAC) was first advised of the proposed rule change at its meeting on 12 December 2007. At this meeting MAC expressed general support for this proposal. No member expressed concerns with the proposed changes.

At its meeting on 13 February 2008, MAC members were invited to express their view on the formal Proposal. All members of MAC supported the Rule Change. No member expressed concerns with the proposed changes.

### **3.4. *Public Forums and Workshops***

No public forums or workshops were held in relation to this Rule Change.

### **3.5. *The IMO's Response to the First Round of Submissions***

No interested party expressed any concern regarding the proposed change. In their submissions Synergy and LPG expressed support for the proposal.

#### 4. THE IMO'S DRAFT DECISION

Based on the submissions received and its assessment against the Market Objectives, the IMO's draft decision was to accept the proposed changes to clauses 2.13.9(a) and 2.34.12 in the form proposed by System Management. This would amend the Market Rules to remove obligations on System Management that it is unable to fulfil.

The IMO made its draft decision on the basis that the resulting Amending Rules would be consistent with the Market Objectives.

## **5. SUBMISSIONS RECEIVED IN THE SECOND SUBMISSION PERIOD**

Following the Draft Rule Change Report publication on the IMO website, the second submission period was between 27 March 2008 and 24 April 2008. The IMO did not receive any submissions during the second submission period.

The IMO therefore considers that both the proposal and the IMO's draft decision have the support of the Participants in the Wholesale Electricity Market.

## 6. THE IMO'S ASSESSMENT AND THE IMO'S FINAL DECISION

No interested party expressed concerns regarding the amendments to the Market Rules outlined in the Draft Rule Change Report.

### 6.1. *The IMO's Assessment of the Rule Change Proposal*

According to clauses 2.4.2 of the Market Rules *"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 the proposed Amending Rules will have the following impact on how the Market Rules address the Wholesale Market Objectives:

Impact	Wholesale Market Objectives
Allow the Market Rules to better address objective	
Consistent with objective	(a) (b) (c) (d) and (e)
Inconsistent with objective	

The IMO's assessment is therefore that the proposed Amending Rules are consistent with all of the Market Objectives.

In accordance with Clause 2.4.3(b) of the Market Rules, in deciding whether or not to make Amending Rules, the IMO must also have regard to the practicality and cost of implementing the Amending Rules.

The proposed rule changes will not require changes to the Wholesale Electricity Market System operated by the IMO. No other costs have been identified in relation to these changes during the submission process.

### 6.2. *The IMO's Final Decision*

The IMO's final decision is to accept the proposed changes to clauses 2.13.9(a) and 2.34.12 as proposed by System Management. This will amend the Market Rules to remove an obligation on System Management that it is not practicable for System Management to fulfil, and thereby increase the certainty regarding the operation of the Market Rules.

The IMO has made its decision on the basis that the changes to the Market Rules are consistent with the Market Objectives.

### 6.3. *Minister Approval*

Clause 2.13.9(a) of the Market Rules is a Protected Provision, as specified in clause 2.8.13 of the Market Rules. Amendments to Protected Provisions require approval from

the Minister for Energy. As required under clause 2.8.3 of the Market Rules, the IMO will submit this Final Rule Change Report to the Minister for Energy for his consideration. The Minister's decision is expected to be available by 23 June 2008.

#### **6.4. Amending Rules Commencement**

Subject to receipt of the Minister's approval, the amendments to clauses 2.13.9(a) and 2.34.12 of the Wholesale Electricity Market Rules, as set out in Section 7 of this Report, will commence at **08.00am** on **24 June 2008**.

## 7. AMENDING RULES

The following clauses are amended (~~deleted wording~~, new wording):

- 2.13.9 System Management must monitor Rule Participants for breaches of the following clauses:
- (a) [Blank]~~clauses 2.34.2, 2.34.2A, and 2.34.3;~~
  - (b) ...
- 2.34.12 The IMO must consult with System Management before making a decision requiring a Rule Participant to provide updated Standing Data under clause 2.34.11, other than Standing Data which concerns prices.

## 8. GENERAL INFORMATION ABOUT RULE CHANGE PROPOSALS

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

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
- (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. Under the shorter fast track process the IMO consults with Rule Participants who either advise the IMO that they wish to be consulted or the IMO considers have an interest in the change.