

ELECTRICITY INDUSTRY ACT 2004
ELECTRICITY INDUSTRY (WHOLESALE ELECTRICITY - MARKET)
REGULATIONS 2004
Wholesale Electricity Market Rules

IMO AMENDING RULES RC_2008_12 MADE ON 18 MARCH 2008
These Amending Rules commence at 08.00am on 20 April 2008

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

Clause 2.23.12

2.23.12. The Economic Regulation Authority must take the following into account when determining the Allowable Revenue of System Management:

- (a) the Allowable Revenue must be sufficient to cover the forward looking costs of providing the services described in clause 2.23.1 and performing its functions and obligations under these Market Rules in accordance with the following principles:
 - i. recurring expenditure requirements and payments are recovered in the year of the expenditure;
 - ii. capital expenditures are to be recovered through the depreciation and amortisation of the assets acquired by the capital expenditure in a manner that is consistent with generally accepted accounting principles;
 - iii. costs incurred by System Management that are related to market establishment, as designated by the Minister, are to be recovered over a period determined by the Minister from Energy Market Commencement; and
 - iv. notwithstanding paragraphs (i), (ii) and (iii), expenditure incurred, and depreciation and amortisation charged, in relation to any Declared Market Project are to be recovered over the period determined for that Declared Market Project.
- (b) the Allowable Revenue must include only costs which would be incurred by a prudent provider of the services described in clause 2.23.1, acting efficiently, in accordance with good electricity industry practice, seeking to achieve the lowest practicably sustainable cost of delivering the services described in clause 2.23.1 in accordance with these Market Rules, while effectively promoting the Wholesale Market Objectives;
- (c) where possible, the Economic Regulation Authority should benchmark the Allowable Revenue against the costs of providing similar services in other jurisdictions; and

- (d) the determination of the Allowable Revenue of Ancillary Service provision must take into account the payment structure set out in clause 3.13, and the Economic Regulation Authority must determine values for:
- i. the reserve availability payment margin applying for Peak Trading Intervals, Margin_Peak, which must take account of:
 - 1. the margin the Electricity Generation Corporation could reasonably have been expected to earn on energy sales forgone due to the supply of Spinning Reserve during Peak Trading Intervals;
 - 2. the loss in efficiency of the Electricity Generation Corporation Registered Facilities that System Management has scheduled to provide Spinning Reserve during Peak Trading Intervals that could reasonably be expected due to the scheduling of those reserves;
 - ii. the reserve availability payment margin applying for Off-Peak Trading Intervals, Margin_Off-Peak, which must take account of:
 - 1. the margin the Electricity Generation Corporation could reasonably have been expected to earn on energy sales forgone due to the supply of Spinning Reserve during Off-Peak Trading Intervals;
 - 2. the loss in efficiency of the Electricity Generation Corporation Registered Facilities that System Management has scheduled to provide Spinning Reserve during Off-Peak Trading Intervals that could reasonably be expected due to the scheduling of those reserves;
 - iii. Cost_LRD, which must cover the costs for providing the Load Rejection Reserve, and System Restart and Dispatch Support Ancillary Services, but does not take into account the costs for providing Dispatch Support Ancillary Services.
- (e) the determination of the Allowable Revenue of Ancillary Service provision must take into account Ancillary Service Contracts that System Management has entered into.

Clause 3.11.8

- 3.11.8 System Management may enter into an Ancillary Service Contract with a Rule Participant other than the Electricity Generation Corporation, for Spinning Reserve and Load Following Ancillary Services, where:
- (a) it does not consider that it can meet the Ancillary Service Requirements with the Electricity Generation Corporation's Registered Facilities; or

- (b) the Ancillary Service Contract provides a less expensive alternative to Ancillary Services provided by the Electricity Generation Corporation's Registered Facilities.

Clause 3.11.8A

3.11.8A System Management may enter into an Ancillary Service Contract with a Rule Participant for Load Rejection Reserve, System Restart and Dispatch Support Ancillary Services.

Clause 3.11.8B

3.11.8B System Management must obtain the approval of the Economic Regulation Authority before entering into an Ancillary Service Contract for Dispatch Support Ancillary Services.

Clause 3.11.8C

3.11.8C The Economic Regulation Authority must only review whether an Ancillary Service Contract, to which 3.11.8B applies, would achieve the lowest practicably sustainable cost of delivering the services.

Clause 3.11.8D

3.11.8D The Economic Regulation Authority may undertake a public consultation process in determining whether to approve the Ancillary Service Contract for Dispatch Support Service. In determining whether to undertake a public consultation process, the Economic Regulation Authority must have regard to the terms of the Ancillary Service Contract, including the length of its intended operation and whether a need exists to expedite the approval process.

Clause 3.13.1

3.13.1. The total payments by the IMO on behalf of System Management for Ancillary Services in accordance with Chapter 9 comprise:

(a) [Blank]

(aA) for Load Following Service for each Trading Month:

- i. a capacity payment Capacity_LF calculated as;
 1. the Monthly Reserve Capacity Price in that Trading Month;
 2. multiplied by LFR, the capacity necessary to meet the Ancillary Service Requirement for Load Following in that month;

- ii. an availability payment $Availiability_Cost_LF(m)$ calculated in accordance with clause 9.9.2(d) for that Trading Month;
- (b) an amount $Availability_Cost_R(m)$ for Spinning Reserve for each Trading Month, which is calculated in accordance with clause 9.9.2(c) for that Trading Month; and
- (c) $Cost_LRD$, the monthly amount for Load Rejection Reserve, and System Restart services ~~and Dispatch Support services~~, determined in accordance with System Management's budget process described in clause 2.23, and Dispatch Support service determined in accordance with clause 3.11.8B