

Independent Market Operator



Rule Change Notice

Title: Economic Regulator Authority's Budget

Ref: RC_2008_13

Fast Track Rule Change Process

Date: 14 March 2008

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DOCUMENT DETAILS

IMO Notice No.: RC_2008_13
Report Title: Rule Change Notice: Economic Regulator Authority's Budget
Release Status: Public
Confidentiality Status: Public domain
Published in accordance with Market Rule 2.5.7

Independent Market Operator

Level 22, The Forrest Centre
221 St George's Terrace, Perth WA 6000
PO Box 7096, Cloisters Square, Perth WA 6850
Tel. (08) 9254 4300
Fax (08) 9254 4399
Email: imo@imowa.com.au
Website: www.imowa.com.au

1. INTRODUCTION

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).

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 the IMO considers have an interest in the change.

2. THE RULE CHANGE PROPOSAL

2.1. The Submission

The Economic Regulation Authority (ERA) submitted, on 5 March 2008, a Rule Change Proposal regarding changes to clause 2.24.5 and the addition of new clause 2.24.5A 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 within 7 Business Days of receiving a Rule Change Proposal.

2.1.1. Submission details

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:	5 March 2008
Urgency:	3-high – Fast Track
Change Proposal title:	Economic Regulation Authority's Budget

2.2. Details of the Proposal

The ERA submits that the Wholesale Electricity Market Rules make provision for the ERA to recover Regulator Fees for its monitoring and regulation services under clause 2.24.5 and 2.24.6 of the Market Rules. The text of those rules reads 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.”

The ERA submits that 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 with the dollar amount that the ERA 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 ERA further submits that in May 2006 the words “costs incurred” were not taken into account and the Regulator Fees for 2006/07 reflected the full amount of the estimated costs of the ERA’s Market functions related to that year. However, during 2006/07 the ERA became aware that “costs incurred” had been interpreted to mean the costs of the previous year (past tense) and as a result the ERA could only recover cost in arrears.

According to the ERA submission, in May 2006 an estimate of \$311,416 for 2006/07 was provided to the IMO to form the basis of the Regulator Fees. In June 2007, the ERA advised the IMO that the actual costs incurred in relation to 2006/07 was \$586,848 and the ERA only sought to recover the difference between the estimated and actual costs for 2006/07, of \$275,432, in 2007/08.

The ERA submits that if the rule change proposal is approved, the ERA will advise the IMO that its estimate of Regulator Fees in 2008/09 will consist of \$1,322,884 (being \$665,388 resulting from the under charge in 2007/08 for the period July 2007 – March 2008) and \$657,496 (being the ERA's current anticipated costs for April 2008 – March 2009).

2.3. *The Proposal and the Wholesale Market Objectives*

The function of the ERA is to monitor the market in meeting the Wholesale Market Objectives. Adequate funding received 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 ERA's ability to monitor the Wholesale Electricity Market and assess whether the objectives of the Market are being met.

The ERA submits that the proposed change would promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system, and would ensure that the long term cost of electricity supplied to customers from the South West interconnected system are minimised. This would better address market objectives (a) and (d).

3. WHETHER THE PROPOSAL WILL BE PROGRESSED FURTHER

The IMO has decided to proceed with this proposal on the basis that the IMO's preliminary assessment indicated that the proposal is consistent with the Wholesale Market Objectives.

The ERA proposes that the change be processed using the Fast Track Rule Change Process, on the basis that it satisfies the criteria in section 2.5.9(a) of the Market Rules. The proposed change is a minor rule change that does not seek to amend the intent of the existing rules. It ensures the practical administration of the Regulator Fees, and that the market will not be over- or under-charged for Regulator Fees.

The proposed rule change is urgent as it needs to be in force by 1 June 2008 to facilitate appropriate recovery of costs relating to the ERA's Wholesale Electricity Market functions.

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.

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.*

As this change includes amending a protected provision, clause 2.24.5, any change resulting from this proposal must be approved by the Minister for Energy after the IMO's Final Report is published.

The projected timelines for processing this proposal are:

- This Rule Change Notice is published 14/03/2008
- Consultation period 14/03/2008 - 8/04/2008
- Final Report published 15/04/2008
- Final Report approved by the Minister 14/05/2008

4. CONSULTATION

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.

In addition, the IMO would like to receive written input on the proposal from Rule Participants, using the submission form available on the Market Rule Change summary page on the IMO website:

http://www.imowa.com.au/10_5_1_MarketRulesChangeSummary.html.

The IMO prefers to receive and written submissions by email to **marketadmin@imowa.com.au**.

Notifications may also be sent to the IMO by fax or post, addressed to:

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

Fax: (08) 9254 4399

5. PROPOSED AMENDING RULES

System Management proposes the following amendments to the Market Rules (~~deleted words,~~ added words):

Clause 2.24.5

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.