



Final Rule Change Report
Title: Commissioning Tests and the
Reserve Capacity Mechanism

Ref: RC_2008_17

Standard Rule Change Process

Date: 18 August 2008

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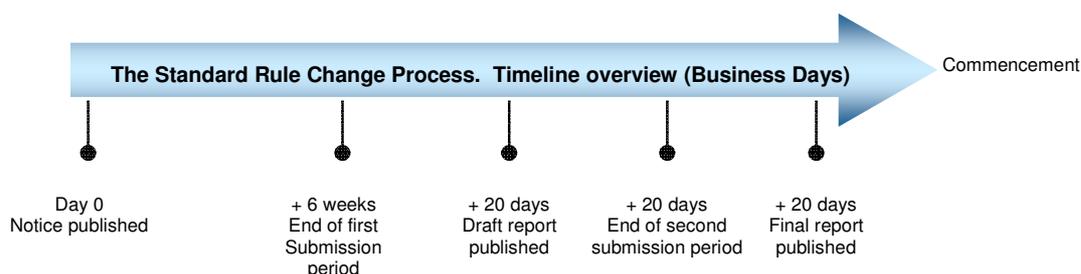
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1. INTRODUCTION

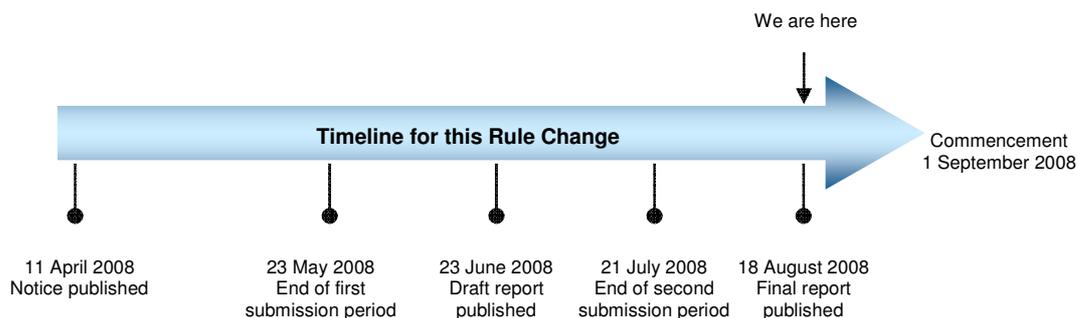
On 10 April 2008, the IMO submitted a Rule Change Proposal regarding changes to clauses 3.21A.7, 4.1.26, 4.10.1, 4.27.10, 4.27.11, 4.27.12, 6.5.1A and 6.5.1C, and the addition of new clauses 3.21A.7A, 4.27.10A and 4.27.11A-D to the Wholesale Electricity Market Rules (Market Rules).

This Proposal is being processed using the Standard Rule Change Process, described in section 2.7 of the Market Rules.

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



The key dates in processing this Rule Change Proposal are:



Based on its own analysis and the submissions received, the IMO's final decision is to implement the Rule Change in the form outlined in section 7 of this report.

This Final Rule Change Report on the Rule Change Proposal has been prepared by the IMO in accordance with clause 2.7.8 of the Market Rules.

The amendments to the Market Rules made as a result from this Rule Change Proposal will commence at 08.00am on 1 September 2008.

2. THE RULE CHANGE PROPOSAL

2.1 Submission Details

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Date submitted:	10/04/2008
Urgency:	Medium
Change Proposal title:	Commissioning Tests and the Reserve Capacity Mechanism

2.2 Details of the Proposal

The IMO submitted that this Rule Change Proposal aims to improve the clarity regarding the provisions for a new Facility transitioning from commissioning to an in-service state with regard to the Reserve Capacity Mechanism. This transition occurs when a Facility is fully capable of meeting its Reserve Capacity Obligations and hence is eligible to receive Reserve Capacity payments.

When a new Facility undergoes initial Commissioning Tests it is relieved from a number of the Reserve Capacity Obligations, including the need to pay Capacity Cost Refunds. When a Market Participant nominates the Facility to be eligible to receive payments for Capacity Credits, then the Facility also becomes subject to these obligations.

Under the current arrangements, the commissioning dates, and the dates when the Market Participant is fully capable of meeting its Reserve Capacity Obligations, are first nominated when the Market Participant applies for Certified Reserve Capacity. The Market Participant can then nominate new dates in its quarterly progress reports that must be submitted to the IMO under the Market Rules.

New Facilities must be available at the start of the hot season for the relevant capacity year. Therefore, Reserve Capacity Obligations must start no later than 30 November in Year 3 of the relevant Reserve Capacity Cycle.

The Rule Change Proposal aims to:

- Place an obligation on Market Participants to provide evidence that any necessary Commissioning Tests have been completed;
- Clarify the approval process for dates nominated in progress reports; and
- Increase the frequency by which progress reports must be submitted.

The IMO submitted that requiring the Market Participant to provide details and evidence that Commissioning Tests can be completed by a nominated date is necessary to

increase certainty that a unit receiving Capacity Credits can fully meet its Reserve Capacity Obligations to the Market. The proposal would address a potential risk that a Facility has not been fully commissioned but may be receiving the benefit of Capacity Credits, which could present undue risk to system reliability and cost to Market Customers.

In addition, clarifying the approval process for changes to the relevant dates was required to provide certainty as to when a Market Participant will be eligible to receive Capacity Credits in respect of a new Facility.

Further, in order to keep track of the development of new Facilities, the IMO contended that it was desirable to increase the reporting frequency in respect of Reserve Capacity progress reports. In the case where a Market Participant experiences difficulties in bringing new plant online, the IMO may be required to source capacity through the Supplementary Reserve Capacity process. Timely reporting is imperative to ensure that this process can be initiated as soon as practicable.

In response to advice from the Market Advisory Committee, after it had assessed a pre-market rule change discussion paper prepared by the IMO - see section 3.1 of this Report - the IMO proposed to develop a market procedure indicating the supporting evidence that would be required by the IMO to assess whether a facility is able to complete its Commissioning Tests by a nominated date. An indicative list of the supporting evidence that may be required included:

- Network access agreements
- Local government approvals
- Evidence of execution of fuel supply and transport contracts
- Evidence of Financial Approvals
- Relevant Construction and Operational Licences
- Independent construction schedules for the plant, network and fuel supply facilities
- Repair and/or rework schedules
- Photographs of construction works
- Evidence of Environmental Test completion
- Evidence of network connection tests completion
- Full load testing results
- Practical completion certificates
- Quality assurance certificates

Finally, the IMO submitted that currently the Market Rules interchangeably use the terms *commissioning*, *commissioning trials* and *Commissioning Tests*. The concept of Commissioning Tests was introduced in the Market Rules in October 2005, but the other two terms still remain within several clauses. Where applicable, the rule change proposal aimed to replace the terms *commissioning* and *commissioning trials* with Commissioning Test, in order to avoid confusion regarding the terms used.

2.3 The Proposal and the Market Objectives

The IMO's submission regarding how the amendments will allow the Market Rules to better address the market objectives can be found in section 6.1.2 of this Report.

2.4 Amending Rules proposed by the IMO

The IMO proposed the following amendments to the Market Rules (added words are underlined and deletions are shown with ~~strikethrough~~):

- 3.21A.7. System Management must accept a request for a Commissioning Test unless:
- (a) inadequate information is provided in the request; or
 - (b) the conduct of the test at the proposed time would pose a threat to Power System Security or Power System Reliability; or
 - (c) clause 3.21A.7A applies.

3.21A.7A. System Management may not accept a request for a Commissioning Test, for Facilities that are yet to commence operation, if the information provided in accordance with clause 3.21A.4(b) includes Trading Intervals after the commencement of the Trading Day commencing on the date specified in accordance with clause 4.10.1(c)(iii)(7), or as revised in accordance with clause 4.27.11A or clause 4.27.11D.

- 4.1.26. Reserve Capacity Obligations apply:
- ...
- (b) in the case of subsequent Reserve Capacity Cycles:
 - i. from the Trading Day commencing on 1 October of Year 3, for Facilities that were commissioned as at the scheduled time of the Reserve Capacity Auction for the Reserve Capacity Cycle as specified in clause 4.1.18(a) or for Facilities which have provided Capacity Credits in one or both of the two previous Reserve Capacity Cycles; and
 - ii. from the Trading Day commencing on the date specified in accordance with clause 4.10.1(c)(iii)(7), or as revised in accordance with clause 4.27.11A or clause 4.27.11D, for Facilities commissioned between 1 August of Year 3 and 30 November of Year 3.

4.10.1. The information to be submitted with an application for certification of Reserve Capacity must pertain to the Reserve Capacity Cycle to which the certification relates and must include:

...

(c) if the Facility, or part of the Facility, is yet to enter service:

...

iii. key project dates occurring after the date the request is submitted to the IMO, including, as applicable, but not limited to:

1. when all approvals will be finalised or, in the case of Interruptible Loads and Curtailable Loads all required contracts will be in place;
2. when financing will be finalised;
3. when site preparation will begin;
4. when construction will commence;
5. when generating equipment or Dispatchable Load equipment will be installed or, in the case of Interruptible Loads and Curtailable Loads all required control equipment will be in place;
6. when the Facility, or part of the Facility, will be ready for commissioning trials to undertake Commissioning Tests; and
7. when the Facility, or part of the Facility, will have completed all Commissioning Tests and be capable of meeting Reserve Capacity Obligations in full;

4.27.10. Subject to clauses 4.28.11C and 4.27.10A, Market Participants holding Capacity Credits for Facilities that are yet to commence operation must file a report on progress with the IMO at least once every three months ~~between~~ from the date the Capacity Credit is confirmed under clause 4.20 and the date that Facility commences operation.

4.27.10A. Market Participants holding Capacity Credits for Facilities that are yet to commence operation must file a report on progress with the IMO at least once every month between the commencement of the calendar year in which the date referred to in clause 4.10.1(c)(iii)(7) falls and the date IMO has notified the Market Participant, in accordance with clause 4.13.10, that the need to maintain the Reserve Capacity Security for the Facility has ceased.

- 4.27.11. The report described in clause 4.27.10 must include the current revised nominations of each date to which clause 4.10.1(c)(iii) refers.
- 4.27.11A On receiving the report described in clause 4.27.10, the IMO must conduct an assessment and approve or not approve the current nominations for each date provided in accordance with clause 4.27.11. The IMO must not approve a nomination for a date which would have prevented the IMO from assigning Certified Reserve Capacity to a Facility.
- 4.27.11B From the commencement of the calendar year in which the date referred to in clause 4.10.1(c)(iii)(7) falls, the IMO must consult with System Management when conducting its assessment in accordance with clause 4.27.11A of a nomination for a date to which clause 4.10.1(c)(iii)(7) refers. The IMO must not approve that nomination if, in System Management's opinion, the Facility, or part of the Facility, is unlikely to have completed all Commissioning Tests by the nominated date.
- 4.27.11C If, in accordance with clause 4.27.11A, the IMO does not approve one or more of the nominated dates provided in accordance with clause 4.27.11 the IMO must, within five business days, notify the Market Participant of its decision and provide reasons why the dates have not been approved.
- 4.27.11D In respect of a report submitted in accordance with clause 4.27.10 including the dates nominated in accordance with clause 4.27.11, the IMO may require the Market Participant to provide supporting evidence, submitted by a suitably authorised person, and the IMO may require the Market Participant to submit further reports in accordance with clause 4.27.10 or revise the dates nominated in accordance with 4.27.11.
- 4.27.12. The IMO must document the procedure to be followed in performing Reserve Capacity monitoring in the Reserve Capacity Procedure, and the IMO, System Management, and Market Participants must follow that documented Market Procedure in the performance of Reserve Capacity monitoring. Amongst other things, the Market Procedure must list the documents and other items that may be required by the IMO as supporting evidence in accordance with clause 4.27.11D.

- 6.5.1A. Market Generators with Registered Facilities that are not undergoing ~~commissioning a~~ Commissioning Test, except those with only Intermittent Generators, or Market Customers with Dispatchable Load must provide the IMO with a Resource Plan Submission, either via submitting Resource Plan Submissions or in accordance with clause 6.5.1B.
- 6.5.1C. Market Generators with only Intermittent Generators may provide the IMO with a Resource Plan Submission, unless undergoing ~~commissioning a~~ Commissioning Test, either via submitting Resource Plan Submissions or in accordance with clause 6.5.1B.

2.5 *The IMO's Initial Assessment of the Proposal*

The IMO decided to proceed with the proposal on the basis of its preliminary assessment, which indicated that the proposal was consistent with the Wholesale Market Objectives. This preliminary assessment was published in a Rule Change Notice on 11 April 2008.

3 SUBMISSIONS RECEIVED IN THE FIRST SUBMISSION PERIOD

The IMO received one submission, from Landfill Gas & Power Pty Ltd, on the changes proposed by the IMO. The submission is summarised below, and the full text is available on the IMO web site.

3.1 *Market Advisory Committee*

The Market Advisory Committee (MAC) was first advised of the proposed rule change at its meeting on 12 March 2008, before it was formally submitted by the IMO.

At the meeting, members requested more information regarding the evidence required to be provided by a participant for it to be considered to be able to complete its Commissioning Tests by a nominated date. MAC proposed that the IMO could include in a procedure an outline of the information a participant needs to provide to enable the IMO to complete its assessment.

MAC noted that the proposed changes must be aligned with the processes in Chapter 3 of the Market Rules, covering System Management's approval of Commissioning Tests, in order to ensure that the treatment of Commissioning Tests is consistent throughout the Market Rules.

MAC also questioned the merit of providing more frequent reports to the IMO than under the current rules. However, it was agreed that since these reports are normally produced internally anyway, providing them to the IMO should not be an onerous exercise.

Following the MAC meeting, the IMO reworked the proposal to include a requirement for a market procedure – which has now been developed by the IMO - that will provide a list of items the IMO may require to assess whether commissioning can be completed by a nominated date. An indicative list of these items was also provided in the IMO's reworked proposal.

MAC members were also invited to discuss the proposal at the MAC meeting on 14 May 2008, after the proposal had been published on the IMO web site. All members of MAC expressed their support for the Rule Change.

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

LGP expressed its support for the Rule Change Proposal. LGP considered that the commencement of capacity benefits and obligations should be simultaneous and that plant developers should be given reasonable flexibility initially in meeting the obligations. LGP also submitted that it judges the list of supporting evidence, as listed in the IMO's Proposal, as well chosen. In regard to the reporting requirements, LGP considered that more frequent reporting is unlikely to be significant for a well managed project.

LGP supported the IMO's position that the Rule Change supports market objective (a), by improving reliability and security of supply in regard to new facilities that are entering the WEM.

3.3 *Public Forums and Workshops*

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

4 THE IMO'S DRAFT DECISION

4.1 *Additional Amendments*

During the first submission period the IMO Market Procedures Development Group met to commence the development of the market procedure containing the supporting evidence that would be required by the IMO to assess whether a facility is able to complete its Commissioning Tests by a nominated date. During this meeting it was noted that the time limit of five business days in clause 4.27.11C, as proposed in the IMO's Rule Change Proposal, may be too tight in order for a full assessment to be made of a report provided to the IMO, especially at the beginning of each Capacity Year, when the IMO may have multiple facilities commissioning at the same time. The IMO therefore proposed to extend this time limit to ten business days and also to clarify in the clause that the time limit begins upon the participant submitting a report to the IMO.

As a result of the Working Group discussion, the IMO proposed to amend clause 4.27.11C to read as follows:

4.27.11C If, in accordance with clause 4.27.11A, the IMO does not approve one or more of the nominated dates provided in accordance with clause 4.27.11 the IMO must, within ten business days from the date a report is submitted in accordance with clause 4.27.10A or clause 4.27.11D, notify the Market Participant of its decision and provide reasons why the dates have not been approved.

4.2 *The IMO's Draft Decision*

The IMO's draft decision was to implement the proposed amendments to 3.21A.7, 4.1.26, 4.10.1, 4.27.10, 4.27.11, 4.27.12, 6.5.1A and 6.5.1C, and the new clauses 3.21A.7A, 4.27.10A and 4.27.11A,B and D as proposed by the IMO in its Rule Change Proposal, and the amendments made to clause 4.27.11C following the first submission period. The Amending Rules as proposed in the IMO's Draft Rule Change Report are outlined in section 7 of this Report.

5 SUBMISSIONS RECEIVED IN THE SECOND SUBMISSION PERIOD

Following the publication of the Draft Rule Change Report on the IMO web site, the second submission period was between 24 June 2008 and 21 July 2008. The IMO received one submission from System Management during the second submission period.

5.1 *Submission from System Management*

System Management agreed with the intention of the proposal and fully supported the Rule amendments.

System Management supported the IMO's position that this Rule Change reflects the aims of the Market objectives and that it will bring about more efficient and effective Market processes.

System Management advised that this Rule Change would not require any changes to its IT systems and that it will be able to alter internal processes to implement this Rule Change by the expected commencement date.

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

6.1 Assessment

Submissions

All parties responding within the prescribed submission period expressed support for the Rule Change Proposal. No party proposed any changes to the proposed amendments to the Market Rules.

The IMO's Assessment

According to clause 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	a
Consistent with objective	b, c, d and e
Inconsistent with objective	-

The IMO's assessment against market objective (a) is as follows:

(a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;

The proposed amendments allow the Market Rules to better address market objective (a) by improving reliability and security of supply in regard to new facilities that are entering the Wholesale Electricity Market. This will be accomplished by improving clarity in the processes of the Reserve Capacity Mechanism, and by allowing more appropriate and timely reporting of the progress of new Facilities. In their submissions, both LGP and System Management agreed with this assessment.

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 changes will not require any changes to the Wholesale Electricity Market Systems operated by the IMO. No other costs have been identified in relation to the implementation of the proposed changes.

6.2 The IMO's Final Decision

The IMO's final decision is to implement the amendments to clauses 3.21A.7, 4.1.26, 4.10.1, 4.27.10, 4.27.11, 4.27.12, 6.5.1A and 6.5.1C, and the addition of new clauses 3.21A.7A, 4.27.10A and 4.27.11A-D to the Wholesale Electricity Market Rules (Market Rules) proposed by the IMO with the amendments outlined in the IMO Draft Rule Change Report.

The wording of the relevant Amending Rules is presented in section 7 of this Report.

The IMO has made its decision on the basis that the resulting Amending Rules will allow the Market Rules to better address the Wholesale Market Objectives.

6.3 Amending Rules Commencement

The amendments to the Market Rules resulting from this Rule Change Proposal will commence at **08.00am** on **1 September 2008**.

7. AMENDING RULES

The following clauses are amended (added words are underlined and deletions are shown with ~~strikethrough~~):

3.21A.7. System Management must accept a request for a Commissioning Test unless:

- (a) inadequate information is provided in the request; or
- (b) the conduct of the test at the proposed time would pose a threat to Power System Security or Power System Reliability; or
- (c) clause 3.21A.7A applies.

3.21A.7A. System Management may not accept a request for a Commissioning Test, for Facilities that are yet to commence operation, if the information provided in accordance with clause 3.21A.4(b) includes Trading Intervals after the commencement of the Trading Day commencing on the date specified in accordance with clause 4.10.1(c)(iii)(7), or as revised in accordance with clause 4.27.11A or clause 4.27.11D.

4.1.26. Reserve Capacity Obligations apply:

...

- (b) in the case of subsequent Reserve Capacity Cycles:
 - i. from the Trading Day commencing on 1 October of Year 3, for Facilities that were commissioned as at the scheduled time of the Reserve Capacity Auction for the Reserve Capacity Cycle as specified in clause 4.1.18(a) or for Facilities which have provided Capacity Credits in one or both of the two previous Reserve Capacity Cycles; and
 - ii. from the Trading Day commencing on the date specified in accordance with clause 4.10.1(c)(iii)(7), or as revised in accordance with clause 4.27.11A or clause 4.27.11D, for Facilities commissioned between 1 August of Year 3 and 30 November of Year 3.

4.10.1. The information to be submitted with an application for certification of Reserve Capacity must pertain to the Reserve Capacity Cycle to which the certification relates and must include:

...

- (c) if the Facility, or part of the Facility, is yet to enter service:
 - ...
 - iii. key project dates occurring after the date the request is submitted to the IMO, including, as applicable, but not limited to:

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1. when all approvals will be finalised or, in the case of Interruptible Loads and Curtailable Loads all required contracts will be in place;
2. when financing will be finalised;
3. when site preparation will begin;
4. when construction will commence;
5. when generating equipment or Dispatchable Load equipment will be installed or, in the case of Interruptible Loads and Curtailable Loads all required control equipment will be in place;
6. when the Facility , or part of the Facility, will be ready for ~~commissioning trials~~ to undertake Commissioning Tests; and
7. when the Facility , or part of the Facility, will have completed all Commissioning Tests and be capable of meeting Reserve Capacity Obligations in full;

4.27.10. Subject to clauses 4.28.11C and 4.27.10A, Market Participants holding Capacity Credits for Facilities that are yet to commence operation must file a report on progress with the IMO at least once every three months ~~between from~~ the date the Capacity Credit is confirmed under clause 4.20 ~~and the date that Facility commences operation.~~

4.27.10A. Market Participants holding Capacity Credits for Facilities that are yet to commence operation must file a report on progress with the IMO at least once every month between the commencement of the calendar year in which the date referred to in clause 4.10.1(c)(iii)(7) falls and the date IMO has notified the Market Participant, in accordance with clause 4.13.10, that the need to maintain the Reserve Capacity Security for the Facility has ceased.

4.27.11. The report described in clause 4.27.10 must include the current revised nominations of each date to which clause 4.10.1(c)(iii) refers.

4.27.11A On receiving the report described in clause 4.27.10, the IMO must conduct an assessment and approve or not approve the current nominations for each date provided in accordance with clause 4.27.11. The IMO must not approve a nomination for a date which would have prevented the IMO from assigning Certified Reserve Capacity to a Facility.

4.27.11B From the commencement of the calendar year in which the date referred to in clause 4.10.1(c)(iii)(7) falls, the IMO must consult with System Management when conducting its assessment in accordance with clause 4.27.11A of a nomination for a date to which clause 4.10.1(c)(iii)(7) refers. The IMO must not approve that nomination if, in System Management's opinion, the Facility, or part of the Facility, is unlikely to have completed all Commissioning Tests by the nominated date.

4.27.11C If, in accordance with clause 4.27.11A, the IMO does not approve one or more of the nominated dates provided in accordance with clause 4.27.11 the IMO must, within ten business days from the date a report is submitted in accordance with clause 4.27.10A or clause 4.27.11D, notify the Market Participant of its decision and provide reasons why the dates have not been approved.

4.27.11D In respect of a report submitted in accordance with clause 4.27.10 including the dates nominated in accordance with clause 4.27.11, the IMO may require the Market Participant to provide supporting evidence, submitted by a suitably authorised person, and the IMO may require the Market Participant to submit further reports in accordance with clause 4.27.10 or revise the dates nominated in accordance with 4.27.11.

4.27.12. The IMO must document the procedure to be followed in performing Reserve Capacity monitoring in the Reserve Capacity Procedure, and the IMO, System Management, and Market Participants must follow that documented Market Procedure in the performance of Reserve Capacity monitoring. Amongst other things, the Market Procedure must list the documents and other items that may be required by the IMO as supporting evidence in accordance with clause 4.27.11D.

6.5.1A. Market Generators with Registered Facilities that are not undergoing ~~commissioning~~ a Commissioning Test, except those with only Intermittent Generators, or Market Customers with Dispatchable Load must provide the IMO with a Resource Plan Submission, either via submitting Resource Plan Submissions or in accordance with clause 6.5.1B.

6.5.1C. Market Generators with only Intermittent Generators may provide the IMO with a Resource Plan Submission, unless undergoing ~~commissioning~~ a Commissioning Test, either via submitting Resource Plan Submissions or in accordance with clause 6.5.1B.

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.