



# **Draft Rule Change Report**

## **Title: Reserve Capacity Security**

Ref: RC\_2008\_30

Standard Rule Change Process

Date: 21 November 2008

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### Independent Market Operator

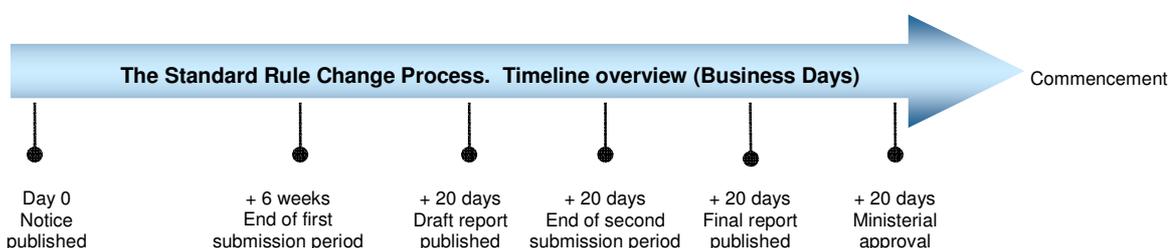
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## 1. INTRODUCTION

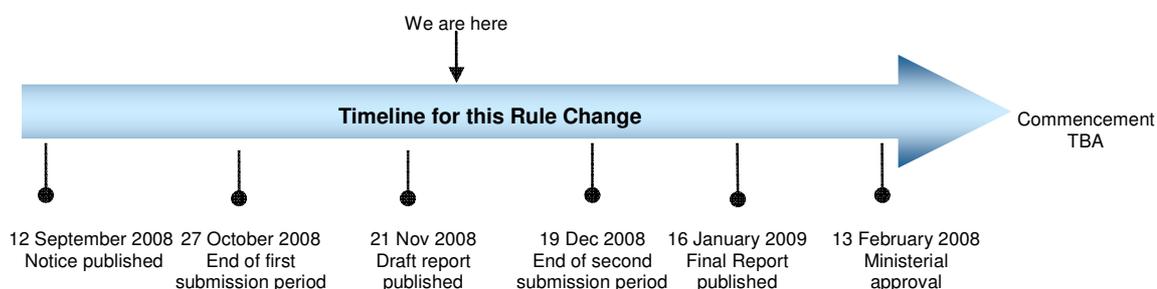
On 11 September 2008 the Independent Market Operator (IMO) submitted a Rule Change Proposal regarding changes to clauses 4.13.1, 4.13.10 and 4.13.11 of the Wholesale Electricity Market Rules (Market Rules).

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 the submissions received, the IMO's draft decision is to implement the Rule Change Proposal in the form outlined in section 6 of this Report.

This Draft 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.

Interested parties are invited to provide further submissions in relation to this Draft Rule Change Report. In accordance with the Market Rules timeline, the deadline for submissions is 19 December 2008.

## 2. THE RULE CHANGE PROPOSAL

### 2.1. Submission Details

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<b>Address:</b>	Level 3, Governor Stirling Tower, 197 St George's Terrace
<b>Date submitted:</b>	<i>11 September 2008</i>
<b>Urgency:</b>	<i>Medium</i>
<b>Change Proposal title:</b>	Reserve Capacity Security

### 2.2. Details of the Proposal

The IMO's proposed changes aim to improve the efficiency of the provisions regarding administering the return of Reserve Capacity Security. The changes also aim to improve the clarity of the provisions in order to remove doubt as to whether Reserve Capacity Security should apply to facility upgrade projects and DSM programmes; and whether provisions are administered to achieve the intent of the Market Rules.

The IMO stated that the current Market Rules require the IMO to determine, within five business days, that the requirement to hold Reserve Capacity Security in respect of a Facility has ceased. This places an obligation on the IMO to monitor the Meter Data for each Facility for every trading interval and to make a determination within five business days whether the Facility has met its Reserve Capacity Obligation Quantity. The proposed rule change addresses this problem by extinguishing the obligation to hold Reserve Capacity Security upon receipt (and appropriate processing) of a request made by the Market Participant to the IMO.

The IMO also proposed that the time required for the IMO to process applications for having a Reserve Capacity Security returned should be extended from five business days to ten. In practice, the IMO may receive meter data for a Facility a number of days after the trading day. Further time is then required to analyse the data and make a determination as to whether Reserve Capacity Security is no longer required. The final step is to organise for approvals and release of the Reserve Capacity Security documents from the bank. It is simply not practical to return Reserve Capacity Security within five business days.

The IMO proposed to improve the clarity of clause 4.13.10 (b) as it could be interpreted as allowing a Participant to claim it has met its Reserve Capacity obligations and be entitled to the return of its Reserve Capacity Security based on adjustments made in response to forced outages. While such an interpretation is unlikely, it is certainly not the intent of the Market Rules and, therefore, the IMO sought to remove any potential ambiguity.

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

The IMO's assessment on how these amendments will allow the Market Rules to better address the market objectives is contained in section 4.1.2 of this Report.

### **2.4. Amending Rules proposed by the IMO**

The IMO proposed the following amendments to the Market Rules (~~deleted words, added words~~):

#### **4.13. Reserve Capacity Security**

4.13.1. Where the IMO assigns Certified Reserve Capacity to a Facility (which for the purposes of this clause 4.13 includes part of a Facility and a Demand Side Programme) that is yet to be commissioned, the relevant Market Participant must ensure that the IMO holds the benefit of a Reserve Capacity Security in an amount not less than the amount determined under clause 4.13.2 by the date and time specified in clause 4.1.13 for the Reserve Capacity Cycle to which the Certified Reserve Capacity relates.

4.13.10. ~~Unless clause 4.13.11 applies,~~ A Market Participant is no longer required to ensure that the IMO holds the benefit of a Reserve Capacity Security after:

~~the IMO must notify any Market Participant that has provided the IMO with a Reserve Capacity Security for a Facility that the need to maintain that Reserve Capacity Security has ceased, and must refund any Reserve Capacity Security which is in the form of a cash deposit (plus interest earned on that cash deposit) no later than five Business Days following:~~

- (a) ~~the time and date specified in clause 4.1.21, in the case of a Reserve Capacity Security relating to a Facility that provides no Capacity Credits (as notified by the relevant Market Participant under clause 4.20)~~ the time and date specified in clause 4.1.21);
- (b) ~~in respect~~ the case of a new Facility that satisfies 100% of its Reserve Capacity Obligation Quantity for the Facility (as determined under clause 4.12.4 and before any adjustment made under clause 4.12.6) in at least one Trading Interval when the Reserve Capacity Obligation Quantity exceeds 0 MW occurring between the date from which Reserve Capacity Obligations apply in accordance with clause 4.1.26 and the day from which Reserve Capacity Obligations cease to apply in accordance with clause 4.1.30 in respect of the Reserve Capacity Cycle, the later of:
  - i. the date from which Reserve Capacity Obligations apply in accordance with clause 4.1.26 in respect of the Reserve Capacity Cycle;

- ii. the first day on which a new Facility first satisfies its Reserve Capacity Obligations under clause 4.12.1(a) or (b) (as applicable) in respect of the Reserve Capacity Cycle.
  - (c) in ~~respect~~ the case of a new Facility to which none of (a), (b), or clause 4.13.11 relate, the day from which Reserve Capacity Obligations cease to apply in accordance with clause 4.1.30 in respect of the Reserve Capacity Cycle.
- 4.13.10A Where a Market Participant considers that clause 4.13.10 applies to it in relation to a Facility, the Market Participant may request the IMO to release the relevant Reserve Capacity Security. Within 10 Business Days after receiving such a request the IMO must:
- (a) determine whether the need to maintain the Reserve Capacity Security has ceased;
  - (b) notify the Market Participant of its determination; and
  - (c) if the Reserve Capacity Security is a cash deposit that is no longer required to be held, refund the cash deposit (plus interest earned).
- ~~4.13.11. If a Market Participant provides a Reserve Capacity Security in respect of a Facility under this clause 4.13, and the relevant Facility does not operate at a level (expressed in MWh) that is at least 90% of one-half of the Reserve Capacity Obligation Quantity for the Facility (expressed in MW), in at least one Trading Interval when the Reserve Capacity Obligation Quantity exceeds 0 MW occurring between the date from which Reserve Capacity Obligations apply in accordance with clause 4.1.26 and the day from which Reserve Capacity Obligations cease to apply in accordance with clause 4.1.30 in respect of the Reserve Capacity Cycle, then the Market Participant must pay to the IMO, as compensation to the market, an amount equal to the Reserve Capacity Security amount, which obligation may be satisfied by the IMO drawing upon the Reserve Capacity Security, and applying the amount claimed (after meeting the IMO's costs associated with doing so) so as to:~~
- ~~(a) firstly, offset the cost of funding Supplementary Capacity Contracts for any capacity shortage stemming entirely or in part from the Facility not being available; and~~
  - ~~(b) secondly, once all costs to which paragraph (a) refers are covered, make a rebate payment to Market Customers in proportion to their Individual Reserve Capacity Requirements during the Trading Month in accordance with Chapter 9.~~
- 4.13.11. A Market Participant that provides a Reserve Capacity Security in respect of a Facility under this clause 4.13 must operate the Facility at a level (expressed in MWh) that is at least 90% of one-half of the Reserve Capacity Obligation Quantity for the Facility (as determined under clause 4.12.4 and

before any adjustment made under clause 4.12.6, expressed in MW) in at least one Trading Interval when the Reserve Capacity Obligation Quantity exceeds 0 MW. The Trading Interval must fall between the date from which Reserve Capacity Obligations apply in accordance with clause 4.1.26 and the day from which Reserve Capacity Obligations cease to apply in accordance with clause 4.1.30 in respect of the Reserve Capacity Cycle.

4.13.11A If a Market Participant fails to operate a Facility in accordance with clause 4.13.11, then the Market Participant must pay to the IMO, as compensation to the market, an amount equal to the Reserve Capacity Security amount for that Facility.

4.13.11B The payment obligation under clause 4.13.11A may be satisfied by the IMO drawing upon the Reserve Capacity Security for the Facility, and applying the amount claimed (after meeting the IMO's costs associated with doing so) so as to:

- (a) firstly, offset the cost of funding Supplementary Capacity Contracts for any capacity shortage stemming entirely or in part from the Facility not being available; and
- (b) secondly, once all costs to which paragraph (a) refers are covered, make a rebate payment to Market Customers in proportion to their Individual Reserve Capacity Requirements during the Trading Month in accordance with Chapter 9.

## **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 12 September 2008.

### 3. SUBMISSIONS

During the first public submission period the IMO received submissions from Landfill Gas & Power Pty Ltd (LGP), Synergy, Energy Response, Perth Energy and Alinta. The details of the submissions received during the submission period are summarised below. The full text of the public submissions is also available on the IMO web site.

#### **3.1. Public Forums and Workshops**

No public forums or workshops were held in relation to this Rule Change. The Rule Change Proposal was discussed at the September and October Market Advisory Committee (MAC) meetings.

##### **3.1.1 Market Advisory Committee**

The MAC was first advised of the proposed rule change at its meeting on 10 September 2008, before it was formally submitted by the IMO. At the meeting, MAC was in general support of the proposal and of the IMO submitting it as a formal Rule Change Proposal.

MAC members were also invited to discuss the proposal at the MAC meeting on 8 October 2008, after the proposal had been published on the IMO website. All members of MAC expressed their support for the Rule Change.

#### **3.2. Submission from LGP**

LGP supported the proposed Rule Change on the following grounds:

- i) it is more appropriate for the market participant to apply to the IMO for release of its security deposit rather than the IMO actively monitoring the operation, and
- ii) the IMO needs sufficient time to investigate the participant's application for return of the security, and
- iii) the market rules should also capture DSM and the incremental part of new facilities rather than the entire facility.

#### **3.3. Submission from Synergy**

Synergy agreed with the IMO that it is not practical for the IMO to continuously monitor each facility and then to make a determination within 5 business days. Synergy supported a change of methodology such that the Market Participant must request the IMO to return the Reserve Capacity Security and that a longer period of time than the previously prescribed 5 days was required to facilitate such a transaction. Furthermore, Synergy agreed with the IMO that it is more economically efficient to limit the Reserve Capacity Security associated with upgrades to the upgrade itself, not the full capacity of the facility.

Synergy noted that this proposal will provide clarity to the interpretation and application of the Market Rules associated with the provision of Reserve Capacity Security. Synergy accepted the IMO's view that the proposed rule change supports the operation of the market objectives. Specifically, Synergy views that the proposal supports market

objective (a) by promoting the economically efficient supply of electricity in the South West Interconnected System.

### **3.4. Submission from Energy Response**

Energy Response supported the IMO's proposed Rule Change. However they stated that they would also like to see:

- i) That the Reserve Capacity Security may be provided via a bank guarantee and/or cash deposit (i.e. combinations of both would be allowed)
- ii) That an end date for bank guarantees be provided

Energy Response construed that the greater flexibility provided will simplify the Reserve Capacity Security requirements allowing the applicant to make their arrangements in a variety of ways, each providing a secure and positive outcome. Giving a known end date will greatly assist applying for bank guarantees.

### **3.5. Submission from Perth Energy**

Discussions were held between the IMO and Perth Energy during the submission period to clarify some points raised by Perth Energy with regard to the proposed rule change. As an outcome of these discussions the IMO agreed that the amending rules should be changed to further clarify the rules with respect to:

- i) The circumstances under which Reserve Capacity Security will be returned
- ii) The timeframe within which it will be returned; and
- iii) Return of Security that is in the form of a guarantee.

The submission received from Perth Energy provided support for the further proposed changes to the amending rules. They are as follows (~~deleted words~~, added words):

## **4.13. Reserve Capacity Security**

4.13.1. Where the IMO assigns Certified Reserve Capacity to a Facility (which for the purposes of this clause 4.13 includes part of a Facility and a Demand Side Programme) that is yet to be commissioned, the relevant Market Participant must ensure that the IMO holds the benefit of a Reserve Capacity Security in an amount not less than the amount determined under clause 4.13.2 by the date and time specified in clause 4.13 for the Reserve Capacity Cycle to which the Certified Reserve Capacity relates.

4.13.10. ~~Unless clause 4.13.11 applies,~~ A Market Participant is no longer required to ensure that the IMO holds the benefit of a Reserve Capacity Security after:

~~the IMO must notify any Market Participant that has provided the IMO with a Reserve Capacity Security for a Facility that the need to maintain that Reserve Capacity Security has ceased, and must refund any Reserve~~

~~Capacity Security which is in the form of a cash deposit (plus interest earned on that cash deposit) no later than five Business Days following:~~

- ~~(a) the time and date specified in clause 4.1.21, in the case of a Reserve Capacity Security relating to a Facility that provides no Capacity Credits (as notified by the relevant Market Participant under clause 4.20) the time and date specified in clause 4.1.21;~~
- ~~(b) in respect the case of a new Facility that satisfies 100% of its Reserve Capacity Obligation Quantity for the Facility (as determined under clause 4.12.4 and before any adjustment made under clause 4.12.6) in at least one Trading Interval when the Reserve Capacity Obligation Quantity exceeds 0 MW occurring between the date from which Reserve Capacity Obligations apply in accordance with clause 4.1.26 and the day from which Reserve Capacity Obligations cease to apply in accordance with clause 4.1.30 in respect of the Reserve Capacity Cycle, the later of:
  - i. the date from which Reserve Capacity Obligations apply in accordance with clause 4.1.26 in respect of the Reserve Capacity Cycle;
  - ii. the first day on which a new Facility first satisfies its Reserve Capacity Obligations under clause 4.12.1(a) or (b) (as applicable) in respect of the Reserve Capacity Cycle.~~
- ~~(c) in respect the case of a new Facility to which none of (a), (b), or clause 4.13.11 relate, the day from which Reserve Capacity Obligations cease to apply in accordance with clause 4.1.30 in respect of the Reserve Capacity Cycle.~~

4.13.10A Where a Market Participant considers that clause 4.13.10 applies to it in relation to a Facility, the Market Participant may request the IMO to release the relevant Reserve Capacity Security. Within 10 Business Days after receiving such a request the IMO must:

- (a) determine whether the need to maintain the Reserve Capacity Security has ceased;
- (b) notify the Market Participant of its determination; and
- (c) if the Reserve Capacity Security is a cash deposit that is no longer required to be held, refund the cash deposit (plus interest earned).

~~4.13.11. If a Market Participant provides a Reserve Capacity Security in respect of a Facility under this clause 4.13, and the relevant Facility does not operate at a level (expressed in MWh) that is at least 90% of one-half of the Reserve Capacity Obligation Quantity for the Facility (expressed in MW), in at least one Trading Interval when the Reserve Capacity Obligation Quantity exceeds 0 MW occurring between the date from which Reserve Capacity~~

~~Obligations apply in accordance with clause 4.1.26 and the day from which Reserve Capacity Obligations cease to apply in accordance with clause 4.1.30 in respect of the Reserve Capacity Cycle, then the Market Participant must pay to the IMO, as compensation to the market, an amount equal to the Reserve Capacity Security amount, which obligation may be satisfied by the IMO drawing upon the Reserve Capacity Security, and applying the amount claimed (after meeting the IMO's costs associated with doing so) so as to:~~

- ~~(a) firstly, offset the cost of funding Supplementary Capacity Contracts for any capacity shortage stemming entirely or in part from the Facility not being available; and~~
- ~~(b) secondly, once all costs to which paragraph (a) refers are covered, make a rebate payment to Market Customers in proportion to their Individual Reserve Capacity Requirements during the Trading Month in accordance with Chapter 9.~~

4.13.11. If a Market Participant that provides a Reserve Capacity Security in respect of a Facility under this clause 4.13 operates the Facility:

- (a) at a level (expressed in MWh) that is at least 90% of one-half of the Reserve Capacity Obligation Quantity for the Facility (as determined under clause 4.12.4 and before any adjustment made under clause 4.12.6, expressed in MW) in at least one Trading Interval when the Reserve Capacity Obligation Quantity exceeds 0 MW; and
- (b) the Trading Interval falls between the date from which Reserve Capacity Obligations apply in accordance with clause 4.1.26 and the day from which Reserve Capacity Obligations cease to apply in accordance with clause 4.1.30 in respect of the Reserve Capacity Cycle,

then the IMO will return the Reserve Capacity Security to the Market Participant within 20 Business Days after the end of the relevant Capacity Year.

4.13.11A If a Market Participant fails to operate a Facility in accordance with clause 4.13.11, then the Market Participant must pay to the IMO, as compensation to the market, an amount equal to the Reserve Capacity Security amount for that Facility.

4.13.11B The payment obligation under clause 4.13.11A may be satisfied by the IMO drawing upon the Reserve Capacity Security for the Facility, and applying the amount claimed (after meeting the IMO's costs associated with doing so) so as to:

- (a) firstly, offset the cost of funding Supplementary Capacity Contracts for any capacity shortage stemming entirely or in part from the Facility not being available; and
- (b) secondly, once all costs to which paragraph (a) refers are covered, make a rebate payment to Market Customers in proportion to their Individual Reserve Capacity Requirements during the Trading Month in accordance with Chapter 9.

### **3.6. Submission from Alinta**

Alinta agreed with the proposed Rule Change on the grounds that it will lessen the administrative burden placed upon the IMO with minimal or no impact on individual participants or the market as a whole. Additionally, they submitted that the proposed Rule Change seeks to facilitate a sensible interpretation of the Market Rules. For these reasons, Alinta views that the Rule Change Proposal would promote achievement of objective (a) of the Market Rules, and not act as an impediment to the achievement of any of the other Market Objectives.

## 4. THE IMO'S ASSESSMENT AND DECISION

### 4.1. Assessment

#### 4.1.1. Submissions

All parties responding to the IMO's invitation for submissions expressed support for the Rule Change Proposal albeit with further suggestions from Energy Response over the acceptance of both bank guarantees and cash for Reserve Capacity Security, outlined in section 3.4.

In reply to Energy Response's suggestions, the IMO notes that they are looking at this as a part of an ongoing broad review of Prudential requirements.

#### 4.1.2. 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 objectives (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;*

This proposal will help improve 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.

The IMO submits that the proposal is consistent with the remaining 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 changes do not require any change 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.

#### **4.2. *IMO's Draft Decision***

The IMO's draft decision is to implement the proposed amendments to the provisions in respect of the return of Reserve Capacity Security.

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

The wording of the relevant Amending Rules is presented in section 6 of this Report.

## 5. CALL FOR SUBMISSIONS

The IMO invites Market Participants to make submissions on this Draft Rule Change Report and proposed Rule Change. The submission period is 20 Business Days from the publication date of this Report.

Submissions must be delivered to the IMO by close of business on Friday 19 December 2008.

The IMO prefers to receive submissions by email to [marketadmin@imowa.com.au](mailto:marketadmin@imowa.com.au) using the submission form available on the IMO website:

[http://www.imowa.com.au/10\\_5\\_1\\_b\\_rule\\_change\\_proposal.htm](http://www.imowa.com.au/10_5_1_b_rule_change_proposal.htm)

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

**Independent Market Operator**  
Attn: Manager Market Administration  
PO Box 7096  
Cloisters Square, Perth, WA 6850  
Fax: (08) 9254 4399

## 6. PROPOSED AMENDING RULES

The IMO proposes to implement the following amendments to the Market Rules (added words are underlined and deletions are shown with a ~~strike through~~):

### 4.13. Reserve Capacity Security

4.13.1. Where the IMO assigns Certified Reserve Capacity to a Facility (which for the purposes of this clause 4.13 includes part of a Facility and a Demand Side Programme) that is yet to be commissioned, the relevant Market Participant must ensure that the IMO holds the benefit of a Reserve Capacity Security in an amount not less than the amount determined under clause 4.13.2 by the date and time specified in clause 4.1.13 for the Reserve Capacity Cycle to which the Certified Reserve Capacity relates.

4.13.10. ~~Unless clause 4.13.11 applies, A Market Participant is no longer required to ensure that the IMO holds the benefit of a Reserve Capacity Security after:~~

~~the IMO must notify any Market Participant that has provided the IMO with a Reserve Capacity Security for a Facility that the need to maintain that Reserve Capacity Security has ceased, and must refund any Reserve Capacity Security which is in the form of a cash deposit (plus interest earned on that cash deposit) no later than five Business Days following:~~

- ~~(a) the time and date specified in clause 4.1.21, in the case of a Reserve Capacity Security relating to a Facility that provides no Capacity Credits (as notified by the relevant Market Participant under clause 4.20) the time and date specified in clause 4.1.21;~~
- ~~(b) in respect the case of a new Facility that satisfies 100% of its Reserve Capacity Obligation Quantity for the Facility (as determined under clause 4.12.4 and before any adjustment made under clause 4.12.6) in at least one Trading Interval when the Reserve Capacity Obligation Quantity exceeds 0 MW occurring between the date from which Reserve Capacity Obligations apply in accordance with clause 4.1.26 and the day from which Reserve Capacity Obligations cease to apply in accordance with clause 4.1.30 in respect of the Reserve Capacity Cycle, the later of:
 
  - i. the date from which Reserve Capacity Obligations apply in accordance with clause 4.1.26 in respect of the Reserve Capacity Cycle;
  - ii. the first day on which a new Facility first satisfies its Reserve Capacity Obligations under clause 4.12.1(a) or (b) (as applicable) in respect of the Reserve Capacity Cycle.~~
- ~~(c) in respect the case of a new Facility to which none of (a), (b), or clause 4.13.11 relate, the day from which Reserve Capacity~~

Obligations cease to apply in accordance with clause 4.1.30 in respect of the Reserve Capacity Cycle.

4.13.10A Where a Market Participant considers that clause 4.13.10 applies to it in relation to a Facility, the Market Participant may request the IMO to release the relevant Reserve Capacity Security. Within 10 Business Days after receiving such a request the IMO must:

(a) determine whether the need to maintain the Reserve Capacity Security has ceased;

(b) notify the Market Participant of its determination; and

(c) if the Reserve Capacity Security is a cash deposit that is no longer required to be held, refund the cash deposit (plus interest earned).

~~4.13.11. If a Market Participant provides a Reserve Capacity Security in respect of a Facility under this clause 4.13, and the relevant Facility does not operate at a level (expressed in MWh) that is at least 90% of one-half of the Reserve Capacity Obligation Quantity for the Facility (expressed in MW), in at least one Trading Interval when the Reserve Capacity Obligation Quantity exceeds 0 MW occurring between the date from which Reserve Capacity Obligations apply in accordance with clause 4.1.26 and the day from which Reserve Capacity Obligations cease to apply in accordance with clause 4.1.30 in respect of the Reserve Capacity Cycle, then the Market Participant must pay to the IMO, as compensation to the market, an amount equal to the Reserve Capacity Security amount, which obligation may be satisfied by the IMO drawing upon the Reserve Capacity Security, and applying the amount claimed (after meeting the IMO's costs associated with doing so) so as to:~~

~~(a) firstly, offset the cost of funding Supplementary Capacity Contracts for any capacity shortage stemming entirely or in part from the Facility not being available; and~~

~~(b) secondly, once all costs to which paragraph (a) refers are covered, make a rebate payment to Market Customers in proportion to their Individual Reserve Capacity Requirements during the Trading Month in accordance with Chapter 9.~~

4.13.11. If a Market Participant that provides a Reserve Capacity Security in respect of a Facility under this clause 4.13 operates the Facility:

(a) at a level (expressed in MWh) that is at least 90% of one-half of the Reserve Capacity Obligation Quantity for the Facility (as determined under clause 4.12.4 and before any adjustment made under clause 4.12.6, expressed in MW) in at least one Trading Interval when the Reserve Capacity Obligation Quantity exceeds 0 MW; and

(b) the Trading Interval falls between the date from which Reserve Capacity Obligations apply in accordance with clause 4.1.26 and the day from which Reserve Capacity Obligations cease to apply in accordance with clause 4.1.30 in respect of the Reserve Capacity Cycle.

then the IMO will return the Reserve Capacity Security to the Market Participant within 20 Business Days after the end of the relevant Capacity Year.

4.13.11A If a Market Participant fails to operate a Facility in accordance with clause 4.13.11, then the Market Participant must pay to the IMO, as compensation to the market, an amount equal to the Reserve Capacity Security amount for that Facility.

4.13.11B The payment obligation under clause 4.13.11A may be satisfied by the IMO drawing upon the Reserve Capacity Security for the Facility, and applying the amount claimed (after meeting the IMO's costs associated with doing so) so as to:

(a) firstly, offset the cost of funding Supplementary Capacity Contracts for any capacity shortage stemming entirely or in part from the Facility not being available; and

(b) secondly, once all costs to which paragraph (a) refers are covered, make a rebate payment to Market Customers in proportion to their Individual Reserve Capacity Requirements during the Trading Month in accordance with Chapter 9.

## 7. 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.