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## Wholesale Electricity Market Rule Change Proposal Form

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**Change Proposal No:** RC\_2008\_33

**Received date:** 11 September 2008

### Change requested by

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<b>Date submitted:</b>	11 September 2008
<b>Urgency:</b>	Medium
<b>Change Proposal title:</b>	<b>Compliance reporting regime for System Management and the IMO</b>
<b>Market Rule(s) affected:</b>	Clauses 2.12, 2.14.5A(new), 2.14.6A(new), 2.14.6B(new), 2.14.7, 2.14.8(new), 2.14.9(new).

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### Introduction

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

This Change Proposal can be posted, faxed or emailed to:

#### **Independent Market Operator**

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

Fax: (08) 9254 4399

Email: [marketadmin@imowa.com.au](mailto:marketadmin@imowa.com.au)

The Independent Market Operator will assess the proposal and, within 5 Business Days of receiving this Rule Change Proposal form, will notify you whether the Rule Change Proposal will be progressed further.

In order for the proposal to be progressed, all fields below must be completed and the rule change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the wholesale electricity market objectives. The objectives of the market 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.

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## Details of the proposed Market Rule Change

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### 1. Describe the concern with the existing Market Rules that is to be addressed by the proposed Market Rule change:

Results from compliance audits conducted on the IMO and System Management are currently not treated equivalently under the Market Rules:

- System Management does not have a formal right of reply to any Market Audit. The IMO has this right;
- the IMO provides a report to the Minister on the compliance of System Management. System Management does not have a formal right of reply to this report; and
- the Market rules do not explicitly provide for the Minister to be provided with a report on the compliance of the IMO, only a report on System Management's compliance.

Whilst the IMO does provide a report to the Minister on its own compliance, it is submitted that the Market Rules should be amended to address the above issues in a formal manner.

Secondly, at present the standard of performance expected of System Management and the IMO is different from the standard of performance expected of other participants. Where System Management or the IMO has an obligation under the rules, if they use reasonable endeavours to comply with that obligation then they are not to be taken as having breached the obligation, even if they would otherwise fail to comply.

It is submitted that the standard of performance for all Participants should be the same, and accordingly it is proposed that the rules that provide the 'reasonable endeavour' exemption for System Management and the IMO should be deleted.

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### 2. Explain the reason for the degree of urgency:

The IMO submits that these rule changes proceed under the normal rule change process.

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**3. Provide any proposed specific changes to particular Rules:** (for clarity, please use the current wording of the Rules and place a ~~strikethrough~~ where words are deleted and underline words added)

2.12 [Blank] ~~Standard of Performance~~

~~2.12.1. With the exception of the obligations listed in clause 2.12.2, where the IMO has an obligation under these Market Rules to do something:~~

- ~~(a) that obligation is limited to a requirement for the IMO to use reasonable endeavours consistent with these Market Rules, including to give such directions or instructions as are within its power, to comply with that obligation; and~~
- ~~(b) if the IMO fails to do that thing notwithstanding the use of the IMO's reasonable endeavours, the IMO will be taken not to have breached the obligation.~~

~~2.12.2. Clause 2.12.1 does not apply to:~~

- ~~(a) the obligations of the IMO under clauses 2.18 to 2.20;~~
- ~~(b) the obligations of the IMO in relation to the registration of Rule Participants and Facilities in clauses 2.28 to 2.32;~~
- ~~(c) subject to clause 9.24, any payment obligations of the IMO under these Market Rules.~~

~~2.12.3. With the exception of the obligations listed in clause 2.12.4, where System Management has an obligation under these Market Rules to do something:~~

- ~~(a) that obligation is limited to a requirement for System Management to use reasonable endeavours consistent with these Market Rules, including to give such directions or instructions as are within its power, to comply with that obligation; and~~
- ~~(b) if System Management fails to do that thing notwithstanding the use of System Management's reasonable endeavours, System Management will be taken not to have breached the obligation.~~

~~2.12.4. Clause 2.12.3 does not apply to the obligations of System Management under clauses 2.18 to 2.20.~~

~~2.12.5. A reference in this clause 2.12 to an obligation to do something includes an obligation to do or not do any act, matter or thing, to achieve any outcome, to maintain any state of affairs or to ensure that any other person does or does not do any act, matter or thing.~~

- 2.14.5A. The IMO must annually provide to the Minister a report on the IMO's compliance with the Market Rules and Market Procedures. The report must contain:
- (a) the reports published in clause 2.14.5; and
  - (b) the results of any investigations of the IMO's compliance with the Market Rules and Market Procedures carried out by the person appointed under clause 2.13.1.
- 2.14.6A. Where System Management is subject to an audit in accordance with clause 2.14.6 (b), the IMO must provide System Management with a copy of the report, and System Management must within 20 Business Days of receiving the report either:
- (a) accept the report and any recommendations contained in it; or
  - (b) provide the IMO with a separate report setting out the matters raised in the Market Auditor's report which System Management accepts and those which it does not accept and setting out System Management's reasons for that view.
- 2.14.6B. Where System Management is subject to an audit in accordance with clause 2.14.6 (b), the IMO must publish the Market Auditor's report and any report provided by System Management under clause 2.14.6A(b) within 30 Business Days of System Management receiving the Market Auditor's report.
- 2.14.7. The IMO must annually ~~provide to the Minister~~ prepare a report for the Minister on System Management's compliance with the Market Rules and Market Procedures. The report must contain:
- a) ~~the results of audits performed under clause 2.14.6(b)~~ reports published in clause 2.14.6B; and
- .....
- 2.14.8. The IMO must provide System Management with the report prepared in accordance with clause 2.14.7, and System Management must within 20 Business Days of receiving the report either:
- (a) accept the report and any recommendations contained in it; or
  - (b) prepare a separate report setting out the matters raised in the report which System Management accepts and those which it does not accept and setting out System Management's reasons for that view.
- 2.14.9. The IMO must, within 10 Business Days following the date specified in clause 2.14.8, provide to the Minister the report prepared in accordance with clause 2.14.7 and any report prepared by System Management under clause 2.14.8(b).
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**4. Describe how the proposed Market Rule change would allow the Market Rules to better address the Wholesale Market Objectives:**

This Rule Change is in accordance with the Market Objectives and provides for greater parity in the compliance regimes applying to the IMO and System Management, as well as greater parity in the compliance regimes applying to the IMO, System Management and all other Rule Participants.

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**5. Provide any identifiable costs and benefits of the change:**

Benefits:

- Increased fairness of the compliance regime applying to System Management.
- Improved parity for all Rule Participants.

Costs:

- Minor ongoing costs of compliance for the IMO and System Management may be expected from this Rule Change.
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