



Independent Market Operator

**Final Market Rule Change
Report**

**Title: Approval of proposed new,
amended, and replacement
Market Procedures**

Ref: RC_2009_04

Date: 20 March 2009

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Independent Market Operator

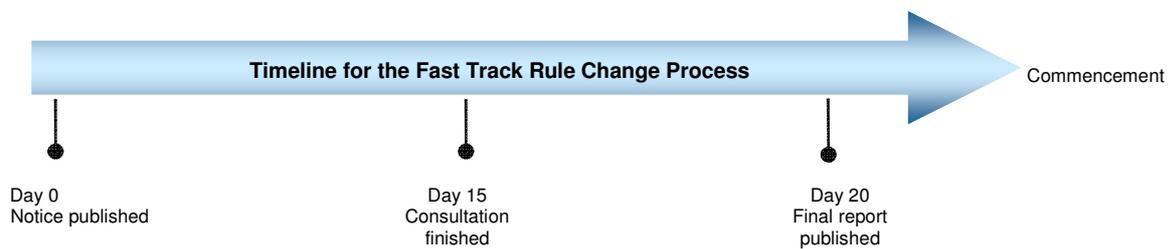
Level 3, Governor Stirling Tower
197 St George's Terrace, Perth WA 6000
PO Box 7096, Cloisters Square, Perth WA 6850
Tel. (08) 9254 4300
Fax. (08) 9254 4399
Email: imo@imowa.com.au
Website: www.imowa.com.au

1. INTRODUCTION

On 18 February 2009 the Independent Market Operator (IMO) submitted a Rule Change Proposal regarding changes to clauses 2.10.6, 2.10.13, 2.10.14, 2.10.15, 2.10.16 and the Glossary of the Wholesale Electricity Market Rules (Market Rules).

This Proposal was processed using the Fast Track Rule Change Process, described in section 2.6 of the Market Rules.

The fast track process adheres to the following timelines:



The key dates in processing this Rule Change Proposal are:



Based on the IMO's assessment of the Rule Change Proposal against the Wholesale Market Objectives, the practicality and cost of implementing the proposal, the Market Advisory Committee's (MAC) recommendations, and the outcomes of the public consultation period, the IMO's final decision is to implement the Rule Change Proposal in the form outlined in section 6 of this Report.

The amendments to the Market Rules made as a result of this Rule Change Proposal will commence at 08.00am on 27 April 2009.

2. THE RULE CHANGE PROPOSAL

2.1 Submission Details

Name:	Allan Dawson
Phone:	(08) 9254 4300
Fax:	(08) 9254 4399
Email:	imo@imowa.com.au
Organisation:	IMO
Address:	Level 3, Governor Stirling Tower, 197 St George's Terrace
Date submitted:	18 February 2009
Urgency:	Medium
Change Proposal title:	Approval of proposed new, amended, and replacement Market Procedures
Market Rule(s) affected:	Clauses 2.10.6, 2.10.13, 2.10.14, 2.10.15, 2.10.16 and Glossary

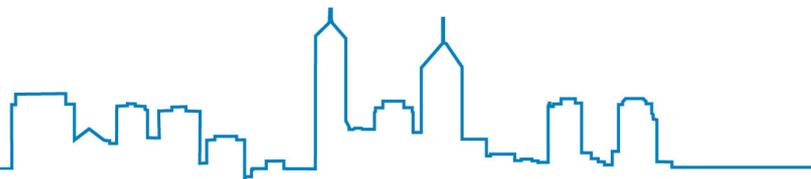
2.2 Details of the Proposal

Clauses 2.10 and 2.11 of the Market Rules outline the process for amending Market Procedures.

A Procedure Change Proposal is defined as a proposal developed by the IMO or System Management to initiate a Procedure Change Process. In other words, the Procedure Change Proposal is the originating document.

A Procedure Change Report is currently defined as a final report published by the IMO or System Management in relation to a Procedure Change Proposal. In other words, this is the final document for a procedure change. An amendment to this glossary term is also proposed as part of this Rule Change Proposal.

Clause 2.10.14 of the Market Rules is the clause under which the IMO may approve or reject System Management's proposed procedure changes. The clause currently states that the IMO's role is deciding whether to approve a Procedure Change **Proposal** prepared by System Management. Given that this document undergoes a public consultation process, which potentially could result in amendments to the originally proposed wording, the IMO proposes that the Market Rules should be amended to clarify that the IMO's role is not to decide whether to approve the original document, but rather to approve the wording of the proposed Market Procedure, or amendment to or replacement for the Market Procedure, contained in the Procedure Change Report.



Additionally, the IMO proposes to correct the patently incorrect reference to Proposals 'published' by System Management in clause 2.10.14 and in the glossary definition of Procedure Change Report. Proposals are developed either by the IMO or by System Management, and are published by the IMO. The opening words of clause 2.10.14 are clearly intended to refer to those proposals *developed* by System Management.

The IMO also proposes, in a number of clauses, to improve the language surrounding proposed amendments to Market Procedures by the IMO or by System Management to read "...an amendment to" rather than "...an amendment of".

2.3 The Proposal and the Wholesale Market Objectives

In its initial Rule Change Proposal the IMO considered that the proposed changes, which clarify the IMO's role in approving System Management's proposed Market Procedures, are consistent with the market objectives.

2.4 The Amending Rules Proposed by the IMO

The amendments to the Market Rules originally proposed by the IMO are provided in section 6.2 of this final report.

2.5 The IMO's Initial Assessment of the Proposal

The IMO 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 IMO 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. All amendments included in the proposal are of a procedural nature. At its meeting on 11 February 2009, the Market Advisory Committee agreed with the IMO's assessment, and endorsed the fast tracking of this proposal.

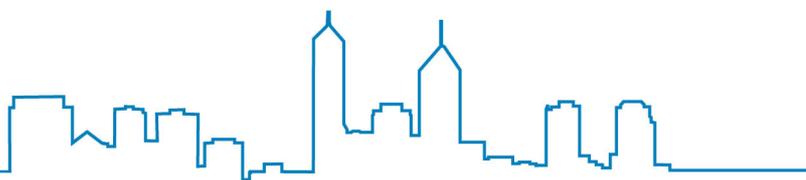
Section 2.5.9 states:

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



3. CONSULTATION

An invitation for all Rule Participants to contact the IMO, should they wish to be consulted on this Rule Change, was published on the IMO website on 20 February 2009, together with the Rule Change Notice.

The consultation period for this Rule Change Proposal was between 23 February 2009 and 13 March 2009.

The IMO did not receive any requests to be consulted on this Rule Change Proposal during this time. The IMO did however receive a submission from Landfill Gas and Power (LGP) outside the public consultation process for this Rule Change. The details of the submission received from LGP is summarised below.

3.1 Submission from Landfill Gas and Power

LGP supported the rule change on the grounds that the IMO's proper role is not concerned with approving the issue of the Market Rule Procedure change, but rather to approve the substance of the resulting Market Procedure.

4. THE IMO'S ASSESSMENT

In preparing this Final Rule Change Report, the IMO must assess the Rule Change Proposal in light of clauses 2.4.2 and 2.4.3 of the Market Rules. This is outlined in the following sections.

4.1 Wholesale Market Objectives

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 Market Rules as a whole, if amended, will be consistent with the Wholesale Market Objectives.

Wholesale Market Objective	Consistent with objective
(a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system	Yes
(b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors	Yes
(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	Yes
(d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system	Yes

(e) to encourage the taking of measures to manage the amount of electricity used and when it is used	Yes
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The IMO also 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	
Consistent with objective	a, b, c, d, and e
Inconsistent with objective	-

The IMO submits that the proposal is consistent with the operation of the Wholesale Market Objectives.

4.2 Practicality and cost of implementation

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 or any of the systems operated by System Management.

There have been no additional costs identified with the implementation of this Rule Change Proposal.

4.3 Views expressed from submissions

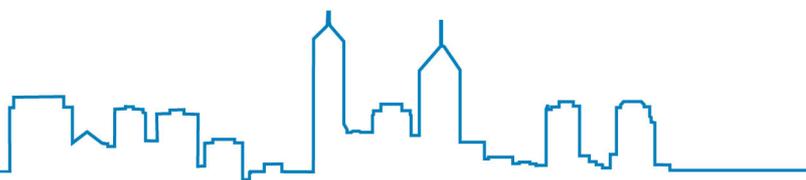
In accordance with Clause 2.4.3(c) of the Market Rules, in deciding whether or not to make Amending Rules, the IMO must have regard to the views expressed in submissions on the Rule Change Proposal.

The IMO did not receive any formal submissions during the consultation process.

4.4 Views expressed by Market Advisory Committee

In accordance with Clause 2.4.3(d) of the Market Rules, in deciding whether or not to make Amending Rules, the IMO must have regard to the views expressed by the MAC, where the MAC met to consider the Rule Change Proposal.

The MAC was advised of the proposed Rule Change at its meeting on 11 February 2009. At the meeting, the MAC was in unanimous support of the proposal.



5. THE IMO'S FINAL DECISION

The IMO's final decision is to implement the amendment to clauses 2.10.6, 2.10.13, 2.10.14, 2.10.15, 2.10.16 and the Glossary of the Market Rules.

5.1 *Reasons for the decision*

The IMO has made its decision on the basis that the Amending Rules:

- Are consistent with the operation of the Wholesale Market Objectives;
- Have the support of the MAC; and
- Can be easily implemented at no additional cost to the market whilst maintaining the integrity of the Market Rules.

Additional detail outlining the analysis behind the IMO's reasons is outlined in section 4 of this Final Rule Change Report.

6. AMENDING RULES

6.1 *Commencement*

The amendments to the Market Rules resulting from this Rule Change Proposal will commence at **8:00am** on **27 April 2009**.

6.2 *Amending Rules*

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

2.10.6. A Procedure Change Proposal must include:

- (a) a proposed Market Procedure or an amendment of to or replacement for a Market Procedure, indicating the proposed amended words, or a proposed Market Procedure; and
- (b) the reason for the proposed Market Procedure or an amendment of to or replacement for a Market Procedure or proposed Market Procedure.

2.10.13. The Procedure Change Report must contain:

- (a) the wording of the proposed Market Procedure or amendment of to or replacement for the Market Procedure;
- (b) the reason for the proposed Market Procedure or amendment of to or replacement for the Market Procedure;
- (c) all submissions received before the due date for submissions, a summary of those submissions, and the response of the IMO or System Management, as applicable, to the issues raised in those submissions;

- (d) a summary of the views expressed by the Market Advisory Committee;
- (e) in the case of a Procedure Change Proposal developed by the IMO, a proposed date and time for the Market Procedure or amendment or replacement to commence, which must, in the IMO's opinion, allow sufficient time after the date of publication of the Procedure Change Report for Rule Participants to implement changes required by it; and
- (f) in the case of a Procedure Change Proposal developed by System Management, a recommendation for a date and time for the Market Procedure, amendment or replacement to commence which, in System Management's opinion, allows sufficient time after the date of publication of the IMO's approval of the Procedure Change Proposal under clause 2.10.12, for Rule Participants to implement changes required by it.

2.10.14. For Procedure Change Proposals ~~published~~ developed by System Management, the IMO must within 10 Business Days of the publication of the Procedure Change Report make a decision as to whether to approve the ~~Procedure Change Proposal~~ proposed Market Procedure or amendment to or replacement for the Market Procedure. The IMO may:

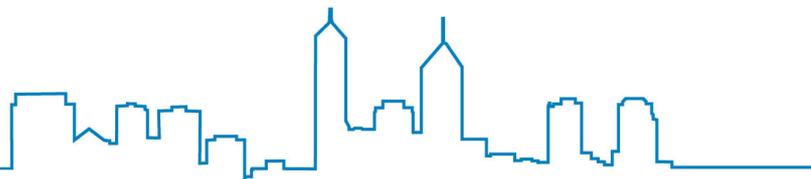
- (a) approve the ~~Procedure Change Proposal~~ proposed Market Procedure or amendment to or replacement for the Market Procedure; or
- (b) reject the ~~Procedure Change Proposal~~ proposed Market Procedure or amendment to or replacement for the Market Procedure.

2.10.15. Where the IMO approves a ~~Procedure Change Proposal~~ proposed Market Procedure or amendment to or replacement for the Market Procedure from System Management, it must notify System Management and the IMO must publish, the following information:

- (a) that the ~~Procedure Change Proposal~~ proposed Market Procedure or amendment to or replacement for the Market Procedure is approved;
- (b) the IMO's reasons for the decision; and
- (c) a date and time for the Market Procedure, amendment or replacement to commence, which must, in the IMO's opinion, allow sufficient time after the date of publication of the Procedure Change Report for Rule Participants to implement changes required by it.

2.10.16. Where the IMO rejects a ~~Procedure Change Proposal~~ proposed Market Procedure or amendment to or replacement for the Market Procedure from System Management:

- (a) the IMO must:



- i. notify System Management; and
 - ii. publish the following information:
 1. that the ~~Procedure Change Proposal~~ proposed Market Procedure or amendment to or replacement for the Market Procedure is rejected; and
 2. the IMO's reasons for the decision; and
- (b) in the case of a ~~Procedure Change Proposal~~ proposed Market Procedure or amendment to or replacement for the Market Procedure required by an Amending Rule, System Management must submit a revised Procedure Change Proposal in accordance with clause 2.10 that complies with the Amending Rule and is acceptable to the IMO. The provisions of clause 2.10 apply to any revised Procedure Change as if it were a new Procedure Change Proposal by System Management.

Chapter 11 Glossary

Procedure Change Report: A final report ~~published~~ prepared by the IMO or System Management in relation to a Procedure Change Proposal, containing the information described in clause 2.10.13.

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.