

The background of the lower half of the page is a photograph of a wind farm and power lines, overlaid with a semi-transparent blue filter. On the left, several white wind turbines are visible, with their blades extending outwards. On the right, a tall metal lattice tower for power lines stands prominently. The overall scene is set against a clear sky.

Independent Market Operator

Rule Change Notice
**Title: Reserve Capacity
performance monitoring**

Ref: RC_2009_19

Standard Rule Change Process

Date: 12 June 2009

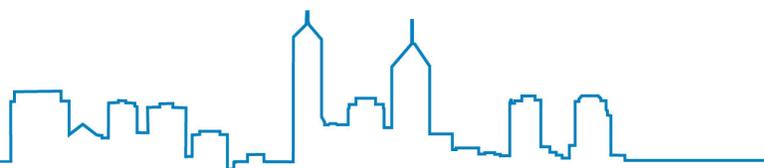
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DOCUMENT DETAILS

IMO Notice No.: RC_2009_19
Report Title: Rule Change Notice: Reserve Capacity performance monitoring
Release Status: Public
Confidentiality Status: Public domain
Published in accordance with Market Rule 2.5.7

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. THE RULE CHANGE PROPOSAL

1.1. The Submission

On 11 June 2009 the Independent Market Operator (IMO) submitted a Rule Change Proposal regarding the amendment of clause 4.27.2 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.

1.1.1 Submission details

Name:	Neil Hay
Phone:	9254 4313
Fax:	9254 4399
Email:	Neil.Hay@imowa.com.au
Organisation:	IMO
Address:	Level 3, 197 St Georges Tce, Perth, WA 6000
Date submitted:	11 June 2009
Urgency:	Standard Rule Change Process
Change Proposal title:	Reserve Capacity Performance Monitoring
Market Rule(s) affected:	4.27.2

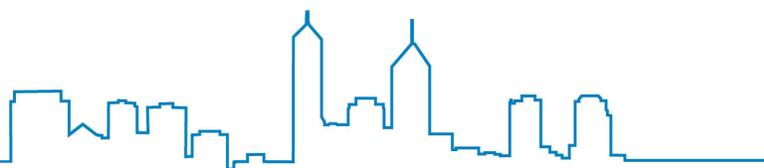
1.2. Details of the Proposal

Background

Clause 4.27.2 of the Market Rules requires the IMO to assess the number of days in the preceding 12 calendar months where the total available capacity in the system dropped below certain levels.

The IMO calculates this by determining the number of days in the previous month where the capacity dropped below either 70% or 80% of the total credits (season dependent). This number is then added on to the running total for the last 12 calendar months minus the number of days from the corresponding calendar month of the previous year.

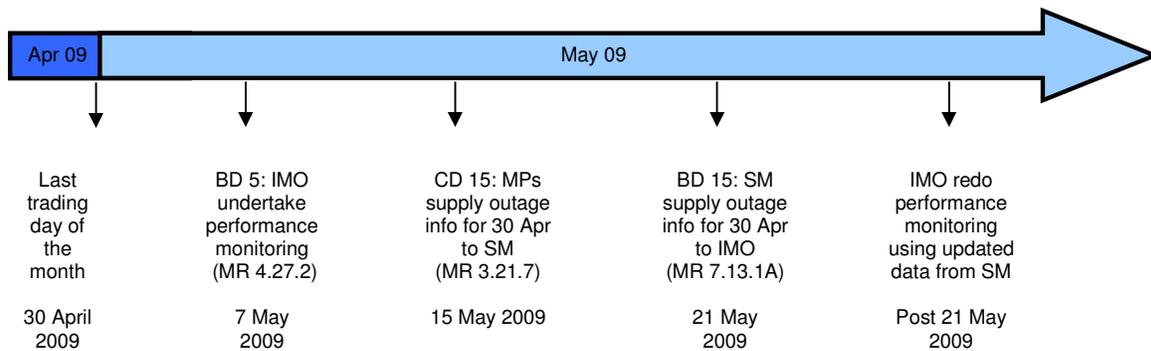
The IMO contends that there are currently difficulties with undertaking this assessment by the fifth Business Day of the month, as prescribed in the Market Rules. The difficulties arise as one of the inputs to the assessment calculation process is the outage data supplied by System Management under clause 7.13.1A(b). This data is provided on a rolling daily basis, on the fifteenth Business Day following the day on which the relevant Trading Day ends. Therefore information for the last Trading Day of the month is not available until midday on the fifteenth Business Day.



The IMO currently reruns the assessment required by clause 4.27.2 after the outage information has been supplied by System Management to ensure the correct assessment is carried out. The IMO contends that this is inconsistent with the Market Rules.

Current Timeline:

Market Rule 3.21.7 gives the Market Participant fifteen calendar days after the Trading Day to supply outage information to System Management. Clause 7.13.1A(b) allows System Management up to 15 Business Days (also from the Trading Day) to prepare and supply the outage information required for Reserve Capacity monitoring to the IMO, see the diagram below.

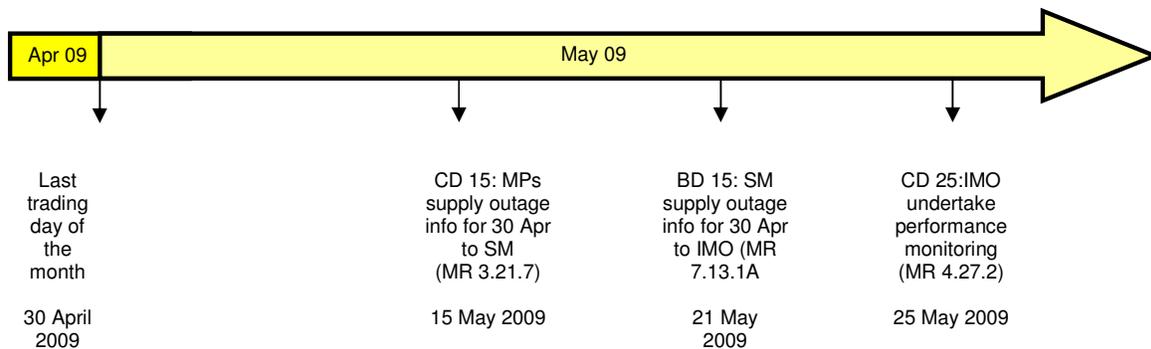


Proposal

The objective of this Rule Change Proposal is to correct the order of the steps in the information process for the assessment of the performance of the Reserve Capacity Mechanism and to provide the IMO with sufficient time after receipt of the outage information from System Management (15 Business Days after the last Trading Day) to carry out its assessment under clause 4.27.2.

The IMO proposes that clause 4.27.2 be modified so that the assessment is required to be complete by the twenty fifth calendar day of the month rather than five Business Days as it is currently drafted. This proposal is shown in the diagram below.

Proposed Timeline:



1.3. The Proposal and the Wholesale Market Objectives

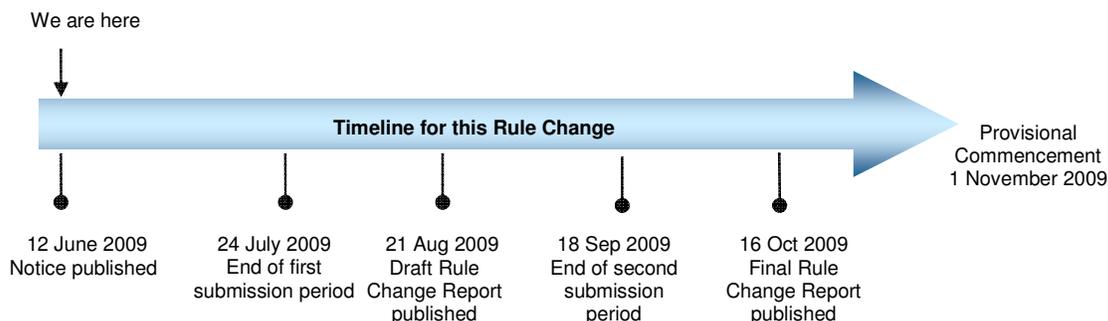
The IMO considers that the proposed Amending Rules will allow the IMO to comply with the Market Rules regarding the performance assessment of the Reserve Capacity Mechanism. The IMO considers that this improves the integrity of the Market Rules, and therefore is consistent with the operation of the Wholesale Market Objectives.

2. 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 IMO has decided to process this Rule Change Proposal using the Standard Rule Change Process, described in section 2.7 of the Market Rules.

The key dates in processing this Draft Rule Change Report are presented below. Please note the commencement date is provisional and may be subject to change in the Final Rule Change Report.



3. CALL FOR SUBMISSIONS

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.

The IMO prefers to receive submissions by email to **marketadmin@imowa.com.au** using the submission form available on the IMO website:

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

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

Independent Market Operator
Attn: Manager Market Administration and System Capacity
PO Box 7096
Cloisters Square, Perth, WA 6850

Fax: (08) 9254 4399

4. PROPOSED AMENDING RULES

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

- 4.27.2 By the twenty fifth-Business-Day ~~day~~ of each month, the IMO must assess the number of days in the preceding 12 calendar months where the total available capacity in the SWIS dropped below 80% (during the Hot Season), and 70% (in either the Intermediate Season or Cold Season), of the total Capacity Credits held by Market Participants for more than six hours on the day.

5. ABOUT RULE CHANGE PROPOSALS

Market Rule 2.5.1 of the Market Rules provides that any person (including the IMO) may make a Rule Change Proposal by completing a Rule Change Proposal Form and submit this to the 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.

