

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: Market Advisory
Committee Constitution
and Operating Practices**

Ref: RC_2009_28

Standard Rule Change Process

Date: 21 July 2009

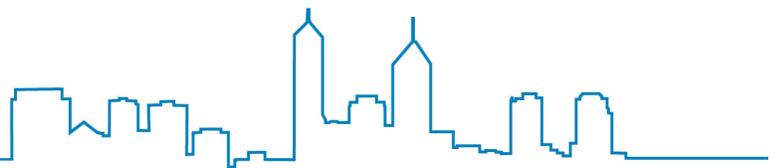
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1. THE RULE CHANGE PROPOSAL

1.1. The Submission

On the 17 July 2009 the Independent Market Operator (IMO) submitted a Rule Change Proposal regarding the amendment of clauses 2.3.1, 2.3.2, 2.3.5, 2.3.10, 2.3.14, 2.3.17, 2.7.4, 2.7.5, 2.10.8, 2.10.9, 2.10.3(d) and the new clause 2.3.1A to the Wholesale Electricity Market Rules (Market Rules).

This Rule Change Notice is published according to clause 2.5.7 of the Market Rules, which requires the IMO to publish a notice within seven Business Days of receiving a Rule Change Proposal.

1.1.1 Submission details

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Date submitted:	20 July 2009
Urgency:	Standard Rule Change Process
Change Proposal title:	Market Advisory Committee Constitution and Operating Practices
Market Rule(s) affected:	2.3.1, 2.3.2, 2.3.5, 2.3.10, 2.3.14, 2.3.17, 2.7.4, 2.7.5, 2.10.8, 2.10.9, 2.10.3(d) and new clause 2.3.1A

1.2. Details of the Proposal

During the annual review of the composition of the Market Advisory Committee (MAC) for the 2009 calendar year, a number of areas of the Wholesale Electricity Market Rules (Market Rules) and MAC Constitution were identified that could benefit from improvement.

In particular, while there is a requirement for the Independent Market Operator (IMO) to annually review the composition of the MAC neither the Market Rules nor the MAC Constitution contains any defined processes or formal criteria for undertaking the review. The IMO does have internal procedures detailing the review process, however these are currently not transparent to interested stakeholders and so the IMO's decisions over appointments to the MAC may not be clear and distinct.

The IMO determined that a project be established to review the relevant provisions in the Market Rules and MAC Constitution. In particular, the issues that the IMO addressed were:

- **Representation and Proxies** – Should appointments be on an individual basis or should appointees represent the organisations they work for?;

The Market Rules only state that the appointment is of a representative. Consequently, a number of interpretations regarding the definition of a representative have been made since the establishment of the MAC.

- **Appointment Process** - What formal process should be followed for annually reviewing the composition of the MAC?;

There is a requirement for the IMO to annually review the composition of the MAC in the Market Rules (clause 2.3.9), however neither the Market Rules nor the MAC Constitution contain any defined processes or formal criterion for undertaking the review.

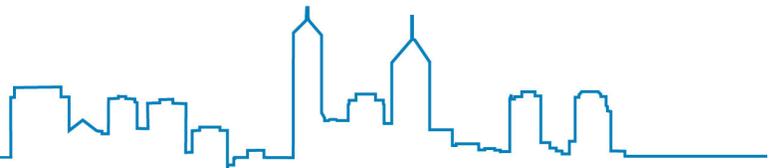
- **Eligibility Criteria and Key Skills** - What should the formal criteria be for assessment of nominees to the MAC membership?;
- **Tenure** - How often should the IMO review of the composition of the MAC and what is the most optimal length of service of members?;
- **Responsibilities** – What should MAC members responsibilities be and how should the IMO facilitate their ability to achieve these?;
- **Removal and Replacement of Members** - Are there better processes to selecting MAC members so as to achieve the best possible MAC representation, based on the current practices in other jurisdictions?;
- **Reappointment** – Should there be any restrictions on reappointment to the MAC?;
- **Operating Practices** - What are the optimal operating practices for the MAC with regards to the frequency of meetings, voting rights, types of membership and the optimal size and mix?; and
- **MAC Working Groups** - What is the reporting relationship between MAC and its Working Groups and what is the optimal representation for MAC Working Groups?

At the 29 April MAC meeting the IMO presented the MAC Constitution and Operating Practices Concept Paper (CP_2009_03) which summarised the broad issues which needed to be addressed to ensure:

- A continual high standard of representation on the MAC; and
- That the MAC operates in the best interests of the Wholesale Electricity Market.

The Concept Paper outlined a number of recommendations to address each of these issues, based on the review of the composition and operation of similar committees in other jurisdictions and industries.

The IMO invited MAC members to provide additional comment on the recommendations. The IMO received submissions from five MAC members. The IMO's recommendations, including the revisions resulting from the submissions received, are outlined in Appendix 1.



Further details on the original Concept Paper and the outcomes of the consultation with the MAC are also available on the IMO's website:<http://www.imowa.com.au/ConceptPapers.html>.

Outlined below are the amendments to the Market Rules the IMO considers necessary to enact the recommendations outlined in Appendix 1. In particular, the IMO proposes:

- Amending clause 2.3.1(b) to allow the MAC appointed Working Groups to advise the IMO and/or System Management on Procedure Change Proposals;
- To state that the MAC is a non voting committee (proposed new clause 2.3.1A);
- Amending clause 2.3.2 to include details of the interaction between the MAC and its Working Groups in the MAC constitution;
- Redrafting clause 2.3.5 to refer to Market Generators, Market Customers and small-use consumers rather than generators ,customers and small consumers;
- Amending clause 2.3.10 to reflect the proposed new appointment process (as outlined in proposed amended MAC constitution);
- Removing unnecessary overlap between the Market Rules and MAC Constitution in clause 2.3.14;
- Expanding clause 2.3.17 to allow other interested stakeholders to be either full or observer members of MAC appointed Working Groups e.g. Office of Energy and potential developers who are not Rule Participants;
- Amending clause 2.7.4, 2.7.5, 2.10.8 and 2.10.9 to remove the current "significance" test for convening a meeting of the MAC with regards to Rule Change Proposals and Procedure Change Proposals; and
- Amending clause 2.10.3 (d) to include a summary of the views of the Working Group in Procedure Change Reports;

Note that these changes proposed by the IMO constitute one part of a suite of changes which also includes amending the MAC constitution and developing a document outlining the "Market Advisory Committee Appointment Guidelines". The other proposed changes are out for public consultation at the same time as this Rule Change Proposal and should be considered as a whole.

The IMO considers that these changes will improve the clarity of the Market Rules and ensure that the MAC operates in the best interests of the Market.

1.3. The Proposal and the Wholesale Market Objectives

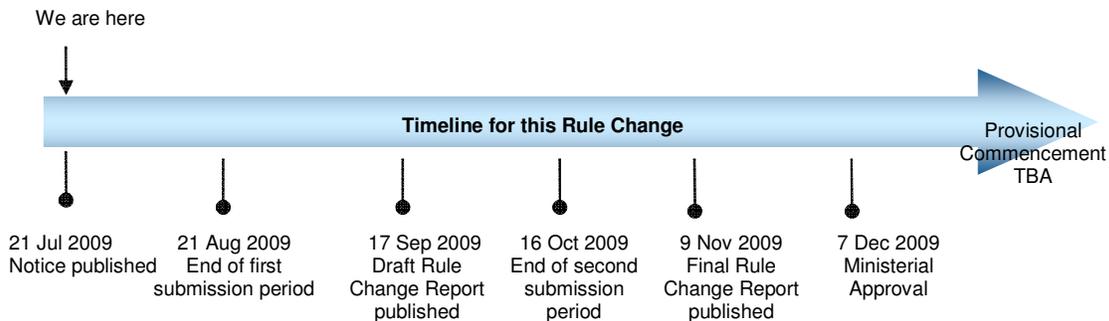
The IMO considers that the proposed Amending Rules will improve the integrity of the Market Rules, and are consistent with the Wholesale Market Objectives.

2. WHETHER THE PROPOSAL WILL BE PROGRESSED FURTHER

The IMO has decided to proceed with this proposal on the basis that its 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 projected timelines for processing this proposal are:



3. CALL FOR SUBMISSIONS

The IMO is seeking submissions regarding this proposal. The submission period is 30 Business Days from the publication date of this notice. Submissions must be delivered to the IMO by 5.00pm on **Monday 31 Aug 2009**.

The IMO prefers to receive submissions by email to market.development@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 Development 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):

2.3.1. The Market Advisory Committee is a committee of industry representatives convened by the IMO:

- (a) to advise the IMO regarding Rule Change Proposals;
- (b) to advise the IMO and System Management regarding Procedure Change Proposals, if required, or if requested by any Working Groups established under clause 2.3.17; ~~and~~
- (c) to advise the IMO regarding market operation and SWIS operation matters; and
- (d) to advise the IMO regarding market evolution matters.

2.3.1A. The Market Advisory Committee is a non voting committee.

2.3.2. The IMO must develop and publish a constitution for the Market Advisory Committee detailing:

- (a) the process for convening the Market Advisory Committee;
- (b) the terms of reference of the Market Advisory Committee;
- (c) the membership terms of Market Advisory Committee members;
- (d) the process for appointing and replacing Market Advisory Committee members by the IMO;
- (e) the conduct of Market Advisory Committee meetings;
- (f) the role of the Market Advisory Committee secretariat; ~~and~~
- (g) interaction between the Market Advisory Committee and the IMO; and
- (h) interaction between the Market Advisory Committee and any Working Groups established under clause 2.3.17.

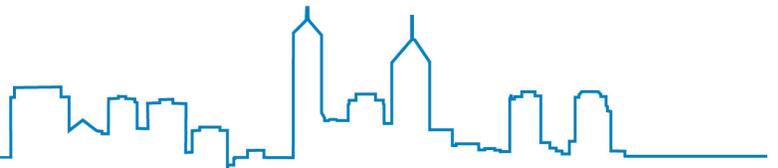
2.3.5. Subject to clause 2.3.13., the Market Advisory Committee must comprise:

- (a) three members representing ~~generators~~ Market Generators, of whom one must represent the Electricity Generation Corporation;
- (b) one member representing Contestable Customers;
- (c) at least one and not more than two members representing Network Operators, of whom one must represent the Electricity Networks Corporation;
- (d) three members representing ~~retailers~~ Market Customers, of whom one must represent the Electricity Retail Corporation;

- (e) one member nominated by the Minister to represent small-use consumers;
 - (f) one member representing System Management;
 - (g) one member representing the IMO; and
 - (h) a chairperson of the Market Advisory Committee, who must be a representative of the IMO.
- 2.3.10. When appointing and removing members of the Market Advisory Committee, the IMO must consult with, and take nominations from Rule Participants and industry groups, that it considers relevant to the wholesale electricity market, and, if practicable, must choose members from persons nominated.
- 2.3.14. The IMO must provide a secretariat for the Market Advisory Committee. ~~The secretariat must:~~
- ~~(a) — schedule meetings and maintain the diary of the Market Advisory Committee;~~
~~and~~
 - ~~(b) — prepare and publish the minutes of each meeting of the Market Advisory Committee.~~
- 2.3.15. The secretariat must convene the Market Advisory Committee:
- (a) on any occasion where these Market Rules require a meeting to discuss a Rule Change Proposal;
 - (aA) on any occasion where these Market Rules require a meeting to discuss a ~~or~~ Procedure Change Proposal, if considered necessary by any Working Groups established under clause 2.3.17;
 - (b) not less than once every six months so as to raise and discuss issues with respect to the operation of the market; and
 - (c) on any occasion when two or more members of the Market Advisory Committee have informed the secretariat in writing that they wish to bring a matter regarding market operation, market evolution or the operation of these Market Rules before the Market Advisory Committee for discussion.
- 2.3.17. The Market Advisory Committee may nominate a Working Group comprised of Representatives of Rule Participants and other interested stakeholders to assist the Market Advisory Committee in advising the IMO.
- 2.7.4. Within one Business Day after the publication of a notice of a Rule Change Proposal in accordance with clause 2.5.7, the IMO must notify the members and observers of the Market Advisory Committee as to whether the IMO considers the Rule Change

Proposal ~~to be significant enough to~~ requires convening a meeting of the Market Advisory Committee and the reasons why.

- 2.7.5. The IMO must convene a meeting of the Market Advisory Committee concerning a Rule Change Proposal before the due date for submissions in relation to the Rule Change Proposal if:
- (a) the IMO considers that advice on the Rule Change Proposal ~~to be significant is required from the Market Advisory Committee~~; or
 - (b) two or more members of the Market Advisory Committee have informed the IMO in writing that they consider that advice on the Rule Change Proposal is ~~significant~~ required from the Market Advisory Committee.
- 2.10.8. Within one Business Day after the publication of a Procedure Change Proposal notice in accordance with clause 2.10.4 or 2.10.5, as applicable, the IMO must notify all members and observers of the Market Advisory Committee as to whether the IMO considers the Procedure Change Proposal ~~to be significant enough to~~ requires convening the Market Advisory Committee and the reasons why.
- 2.10.9. The IMO must convene a meeting of the Market Advisory Committee concerning the Procedure Change Proposal before the due date for submissions in relation to the Procedure Change Proposal if:
- (a) the IMO considers that advice on the Procedure Change Proposal ~~to be significant is required from the Market Advisory Committee~~; or
 - (b) two or more members of the Market Advisory Committee have informed the IMO in writing that they consider that advice on the Procedure Change Proposal is ~~significant~~ required from the Market Advisory Committee.
- 2.10.13. The Procedure Change Report must contain:
- (a) the wording of the proposed Market Procedure or amendment to or replacement for the Market Procedure;
 - (b) the reason for the proposed Market Procedure or amendment 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, or Working Group specifically appointed by the Market Advisory Committee under clause 2.3.17 to consider such Procedure Change Proposals;



...

5. ABOUT RULE CHANGE PROPOSALS

Clause 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.

