

**ELECTRICITY INDUSTRY ACT 2004**  
**ELECTRICITY INDUSTRY (WHOLESALE ELECTRICITY - MARKET)**  
**REGULATIONS 2004**  
**Wholesale Electricity Market Rules**

**IMO AMENDING RULES RC\_2009\_35 MADE ON 6 May 2010**

**These Amending Rules commence at 08.00am on 1 June 2010**

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

6.20.2. The Maximum STEM Price is the value published on the Market Web Site and revised in accordance with clauses 6.20.6 and 6.20.11. ~~Subject to clause 6.20.11, the Maximum STEM Price to apply for:~~

- ~~(a) — the Relevant Year commencing on 1 October 2004 is equal to \$150/MWh.; and~~
- ~~(b) — for subsequent Relevant Years is the Maximum STEM Price for the preceding Relevant Year multiplied by  $\frac{CPI[x]}{CPI[x-1]}$ , where  $CPI[x]$  represents the weighted average of the Consumer Price Index All Groups values for the eight Australian State and Territory capital cities as determined by the Australian Bureau of Statistics for the quarter ending June 30 immediately preceding the start of the Relevant Year and  $CPI[x-1]$  represents the corresponding value for the quarter ending the preceding June 30;~~

~~with the exception that from the date and time that a revised Maximum STEM Price takes effect in accordance with clause 6.20.11, that revised value supersedes the current value and is to be the value used as the Maximum STEM Price for the remainder of the Relevant Year in which it takes effect and will be deemed to have applied for the whole of the preceding calendar year when applying paragraph (b) in respect of the following Relevant Year.~~

6.20.7. In conducting the review required by clause 6.20.6 the IMO:

- (a) may propose revised values for the following:
  - i. the Maximum STEM Price, where this is to be based on the IMO's estimate of the short run marginal cost of the highest cost generating works in the SWIS fuelled by natural gas and is to be calculated using the ~~methodology described~~ formula in paragraph (b); and
  - ii. the Alternative Maximum STEM Price, where this is to be based on the IMO's estimate of the short run marginal cost of the highest cost generating works in the SWIS fuelled by distillate and is to be calculated using the ~~methodology described~~ formula in paragraph (b);
- (b) must calculate the Maximum STEM Price or Alternative Maximum STEM Price using the following ~~methodology~~ formula:

$$(1 + \text{Profit Margin} \times \text{Risk Margin}) \times (\text{Variable O\&M} + (\text{Heat Rate} \times \text{Fuel Cost})) / \text{Loss Factor}$$

Where

- i. ~~Profit Margin is the allowable profit margin expressed as a fraction~~ Risk Margin is a measure of uncertainty in the assessment of the mean short run average cost for a 40 MW open cycle gas turbine generating station, expressed as a fraction;
- ii. Variable O&M is the mean variable operating and maintenance cost for a 40 MW open cycle gas turbine generating station, expressed in \$/MWh, and includes, but is not limited to, start-up related costs;
- iii. Heat Rate is ~~based on the mean heat rate at minimum capacity for a 40 MW open cycle gas turbine generating station's, heat rate at minimum capacity,~~ expressed in GJ/MWh;
- iv. Fuel Cost is the mean unit fixed and variable fuel cost for a 40 MW open cycle gas turbine generating station, expressed in \$/GJ; and
- v. Loss Factor is the marginal loss factor for ~~the generator at a~~ 40 MW open cycle gas turbine generating station relative to the Reference Node.

Where the IMO must determine appropriate values for the factors described in paragraphs (i) to (v) as applicable to the Maximum STEM Price and Alternative Maximum STEM Price.

6.20.9. ~~In conducting the review required by clause 6.20.6, the~~ IMO must prepare a draft report describing how it has arrived at a proposed revised value of an Energy Price Limit. The draft report must also include details of how the IMO determined the appropriate values to apply for the factors described in clause 6.20.7 (b)(i) to (v). The IMO must publish the draft report on the Market Web Site and advertise the report in newspapers widely published in Western Australia and request submissions from all sectors of the Western Australia energy industry, including end-users, within six weeks of the date of publication.

6.20.9A. Prior to proposing a final revised value to an Energy Price Limit in accordance with clause 6.20.10, the IMO may publish a request for further submissions on the Market Web Site. Where the IMO publishes a request for further submission in accordance with this clause, it must request submissions from all sectors of the Western Australia energy industry, including end-users.

6.20.10 After considering the submissions on the draft report described in clause 6.20.9, and any submissions received under clause 6.20.9A, the IMO must propose a final revised value for any proposed change to an Energy Price Limit and submit

those values and its final report, including any submissions received ~~on the draft report~~, to the Economic Regulation Authority for approval.