



Independent Market Operator

**Rule Change Notice
Title: Certification of Reserve
Capacity**

Ref: RC_2010_14

Standard Rule Change Process

Date: 6 December 2010

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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. THE RULE CHANGE PROPOSAL

1.1. The Submission

On 6 December 2010 the IMO submitted a Rule Change Proposal regarding amendments of the Wholesale Electricity Market Rules (Market Rules) to clauses 4.1.8, 4.1.9, 4.1.10, 4.1.11, 4.1.12, 4.1.13, 4.1.14, 4.1.16, 4.1.17, 4.1.18, 4.1.20, 4.1.21, (new) 4.1.21A, 4.2.7, 4.4.1, 4.9.3, 4.9.5, 4.9.9, (new) 4.9.9A, 4.10.1, 4.10.2, 4.10.3. (new) 4.10.4, 4.11.1, 4.11.2, 4.11.3A, 4.11.5, (new) 4.11.10, 4.15.1, 4.20.1, 4.20.5A, 4.27.10, 4.27.11A, 4.28C.1, 4.28C.2, 10.5.1 and the Glossary. Changes to 4.13.10, 4.13.13 and 4.26.1 will come into effect if RC_2010_12 and this Rule Change Proposal are both accepted.

This Rule Change Notice is published according to clause 2.5.7 of the Market Rules, which requires the Independent Market Operator (IMO) to publish a notice when it has developed a Rule Change Proposal.

1.1.1 Submission details

Name:	Greg Ruthven
Phone:	(08) 9254 4301
Fax:	(08) 9254 4399
Email:	greg.ruthven@imowa.com.au
Organisation:	IMO
Address:	Level 3, Governor Stirling Tower, 197 St Georges Terrace
Date submitted:	6 December 2010
Urgency:	Standard Rule Change Process
Change Proposal title:	Certification of Reserve Capacity
Market Rule affected:	4.1.8, 4.1.9, 4.1.10, 4.1.11, 4.1.12, 4.1.13, 4.1.14, 4.1.16, 4.1.17, 4.1.18, 4.1.20, 4.1.21, (new) 4.1.21A, 4.2.7, 4.4.1, 4.9.3, 4.9.5, 4.9.9, (new) 4.9.9A, 4.10.1, 4.10.2, 4.10.3. (new) 4.10.4, 4.11.1, 4.11.2, 4.11.3A, 4.11.5, (new) 4.11.10, 4.15.1, 4.20.1, 4.20.5A, 4.27.10, 4.27.11A, 4.28C.1, 4.28C.2, 10.5.1 and the Glossary. Changes to 4.13.10, 4.13.13 and 4.26.1 will come into effect if RC_2010_12 and this Rule Change Proposal are both accepted.

1.2. Details of the Proposal

Background

The reliability of the South West interconnect system (SWIS) depends on generators and Demand Side Management providers delivering the capacity that they have offered. Each year, all Facilities wanting to apply for Capacity Credits in the Reserve Capacity Mechanism must apply for certification of Reserve Capacity. The certification process is designed to ensure that a facility assigned Capacity Credits can meet its obligations and provide the capacity when it is required. The IMO undertakes a process of certification through which it satisfies itself that, among other things:

- the facility will be able to deliver the quantity of capacity that is being offered; and

- if the facility is yet to enter service, that it will be able to supply power into the SWIS by the date claimed.

In applying for certification, developers need to provide information such as:

- Details of their facility's capacity and temperature dependence.
- Information on fuel supply.
- Projected maintenance outage rates.
- Key project dates for new facilities.

The process of certification takes place between mid-July and early August each year.

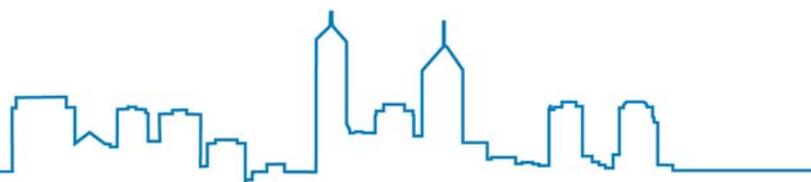
Issues

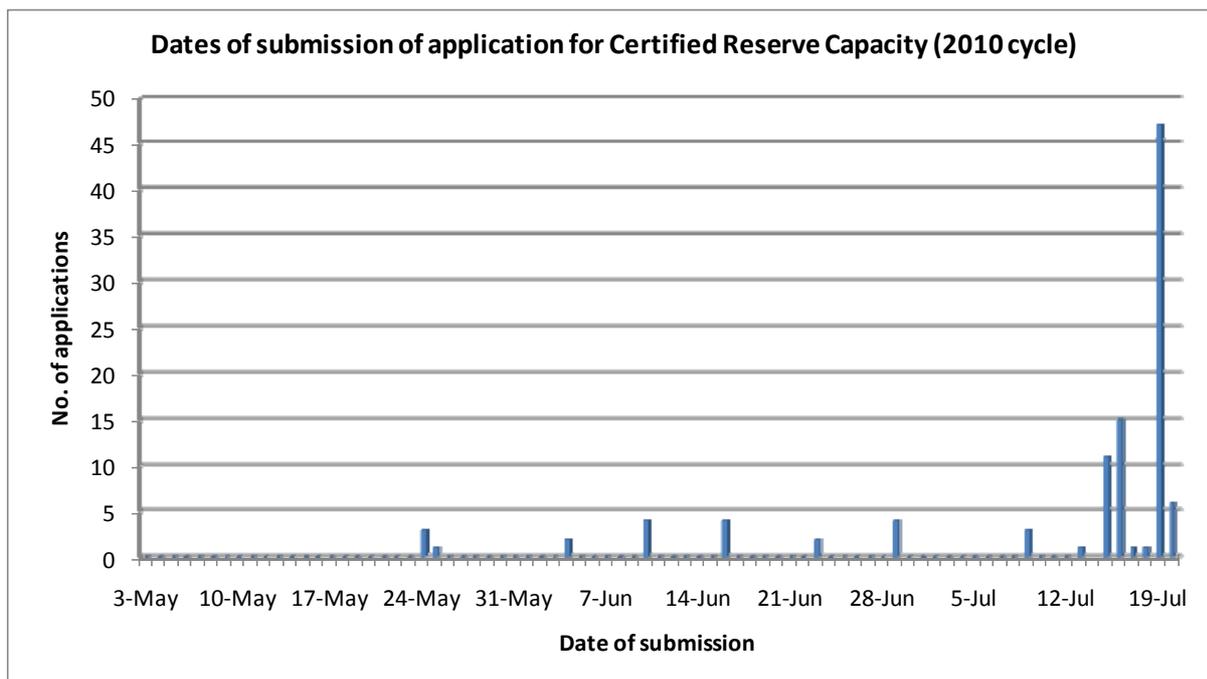
The IMO has identified a number of issues with the Market Rules surrounding certification of Reserve Capacity as part of its ongoing review of the Market Rules and during the recently completed certification process. These are explained in further detail below.

Issue 1: Reserve Capacity Mechanism timeline

The IMO has identified opportunities to improve the Reserve Capacity Mechanism timeline.

Applications for certification of Reserve Capacity close on the last business day falling on, or before, 20 July in each year. The IMO then has 12 business days until the deadline for confirming Certified Reserve Capacity on the last business day on, or before, 5 August. Although the window for submission of applications is open for approximately 11 weeks, the majority of applications are submitted in the last days before the deadline. This is demonstrated in the graph below that shows the timing of submissions for the 2010 certification process.





The number of certified Facilities has doubled since market start, as shown in the graph below. This, along with the fact that the majority of applications for certification are submitted close to the deadline, has placed increasing strain on the IMO's ability to process the applications within the current timeline. The timeliness of information for Market Participants could be improved by increasing the time available for review of applications.



The IMO has also observed that the short time available for Market Participants with new Facilities to provide Reserve Capacity Security has proven difficult. Where a Market Participant intends to bilaterally trade its capacity, the Reserve Capacity Security must be provided by the last business day on, or before, 10 August. This may only allow 3 business days after the Market Participant has received confirmation of Certified Reserve Capacity. The IMO proposes to increase the time available for delivery of Reserve Capacity Security

In addition, the Market Rules do not explicitly indicate the time at which Capacity Credits are assigned to Facilities. It can be implied from clauses 4.1.20 and 4.1.21 of the Market Rules that this allocation occurs at some time between 20 December and 23 December after Market Participants confirm how many Capacity Credits each Facility will provide. This mechanism allows a Participant to transfer Capacity Credits from a Facility that has been cleared in the Reserve Capacity Auction to another that was not cleared. This could happen sooner after the auction results are published. The IMO proposes that this mechanism, which is currently required under all circumstances, should not be required when the Reserve Capacity Auction is cancelled.

Proposed Solution

The IMO proposes that:

- the Market Rules be updated (clauses 4.1.16, (new) 4.1.21A, 4.15.1, 4.20.1, 4.20.5A and 4.27.10) to explicitly state that Capacity Credits are assigned either:
 - at the time that the Reserve Capacity Auction is cancelled; or
 - after Market Participants have confirmed the number of Capacity Credits that each Facility will provide.
- some of the Reserve Capacity Cycle dates be modified as shown in the table below.

	Description of event	Current date	Proposed date	Clause
1	IMO publishes the Statement of Opportunities and releases the Reserve Capacity Information Pack	1 July	17 June	4.1.8 and 4.1.9
2	IMO publishes Reserve Capacity Information Pack on website	15 July	24 June	4.1.10
3	IMO ceases to accept lodgement of applications for certification of Reserve Capacity	20 July	1 July	4.1.11
4	IMO notifies applicants of Certified Reserve Capacity	5 August	19 August	4.1.12
5	Participants provide Reserve Capacity Security for capacity to be traded bilaterally	10 August	2 September	4.1.13
6	Participants make Bilateral Trade Declaration	10 August	2 September	4.1.14
7	IMO confirms the amount of capacity that can be traded bilaterally	1 business day after (3)	1 business day after (3)	4.1.15



	Description of event	Current date	Proposed date	Clause
8	IMO advises whether Reserve Capacity Auction is required	18 August	2 business days after (3)	4.1.16
9	If no auction required, assign Capacity Credits	Not explicit	2 business days after (3)	4.1.16
10	Reserve Capacity Auction submission window opens	20 August	3 business days after (3)	4.1.17(a)
11	Reserve Capacity Auction submission window closes	29 August	14 September	4.1.17(b)
12	Participants provide Reserve Capacity Security for capacity offered into Reserve Capacity Auction	27 August	14 September	4.1.13
13	IMO runs the Reserve Capacity Auction and publishes results	1 September	15 September	4.1.18
14	Participants who had capacity scheduled in the Reserve Capacity Auction confirm how many Capacity Credits each Facility will provide and whether Special Price Arrangements will be accepted	20 December	21 September	4.1.20
15	Where applicable, IMO notifies Participants that Reserve Capacity Security is no longer required, or returns cash deposits; IMO confirms Capacity Credits if auction held	23 December	24 September	4.1.21
16	If Reserve Capacity Auction held, assign Capacity Credits	Not in current rules	24 September	(new) 4.1.21A

Issue 2: Requirement for compliant application to be submitted for Certified Reserve Capacity

In discussing the assignment of Certified Reserve Capacity, the Market Rules makes reference to “the application” and “applicant”. This section does not specifically refer to the application for Certified Reserve Capacity, nor does it require compliance with the requirements of section 4.10. Also, the Market Rules do not explicitly state that the application should include evidence to support the information provided in accordance with section 4.10.

Proposed Solution

The IMO proposes to update the Market Rules to specifically require Market Participants to provide an application for Certified Reserve Capacity in compliance with section 4.10 and to provide supporting evidence for the information provided in the application (clauses 4.11.1 and 4.11.2).

Issue 3: Clarification of Required Availability

The Market Rules currently require the IMO to assess the level of capacity “likely to be available ... at daily peak demand times” (clause 4.11.1(a)) in assessing an application for Certified



Reserve Capacity. The IMO considers that this statement requires further clarification in the Market Rules.

- There is ambiguity in the Market Rules around the ability to award Capacity Credits to a Non-Scheduled Generator according to the methodology described in clause 4.11.1(a). A key component of the Reserve Capacity Target is the reserve margin, which allows for the unexpected unavailability of one or more generators on the SWIS. A Non-Scheduled Generator, unable to be directed by System Management to increase its output in the event of Forced Outages, cannot contribute to the reserve margin and thus cannot be expected to be available at “peak demand times”. Such a Facility should, therefore, only be eligible for certification under the methodology typically used for Intermittent Generators, as described in clause 4.11.2(b). This methodology currently considers average output during the previous three years.
- The requirement for a peaking plant to have sufficient fuel to support operation for 14 hours each day for 10 months of the year is extremely onerous and could result in Market Participants incurring unnecessary additional costs. It is unlikely that peaking plants will be required to operate at this level so it would be reasonable to clarify the availability requirement to refer to Peak Trading Intervals on Business Days, particularly given that system demand is typically lower on weekends and public holidays.
- The Market Rules state that in order for a Facility to be certified as dual fuel it must have sufficient supply and/or supply of the back-up fuel to maintain 12 hours of operation. However, the Market Rules do not state the required level of operation.

Proposed Solution

The IMO proposes to:

- stipulate that the methodology described in clause 4.11.1(a) is only applicable to Scheduled Generators;
- clarify the requirement in clause 4.11.1(a) for Facilities to be “likely to be available ... for Peak Trading Intervals on Business Days” to clarify the fuel requirements; and
- clarify in clause 4.10.2 that dual-fuelled Facilities must be able to operate for 12 hours at the requested level of Certified Reserve Capacity.

Issue 4: Transmission access requirements

In order to grant Certified Reserve Capacity to a Facility, the IMO reviews the arrangements for the Facility to gain transmission access. The Market Rules refer to an “Access Offer”, which is inconsistent with the Access Proposals issued by Western Power. The Access Offer, or Electricity Transfer Access Contract (ETAC) is rarely issued sufficiently in advance to be able to reviewed at the time when a Facility is first certified.

Proposed Solution

The IMO proposes to replace the phrase “Access Offer” with “Access Proposal” in the Market Rules. This aligns the Rules with the terminology used by Western Power (clauses 4.2.7, 4.4.1, 4.10.1 and the Glossary).

Issue 5: Widen requirement for provision of environmental and transmission access approvals

Clause 4.10.1(c) of the Market Rules requires that applicants for Certified Reserve Capacity must provide evidence of transmission access and environmental approvals for Facilities that have yet to enter service. Environmental approvals and ETACs typically have expiry dates, so it is reasonable for the IMO to review these approvals for all Facilities as part of its assessment for Certification of Reserve Capacity. By widening this requirement to all Facilities, the IMO will be able to confirm the ongoing validity of these approvals.

In addition, some Access Proposals or ETACs incorporate Run-Back Schemes that may inhibit the availability of a Facility during peak demand times. The Market Rules do not currently consider these arrangements, nor do they provide any link between the level of access and the level of Certified Reserve Capacity.

Proposed Solution

The IMO proposes to require that evidence of transmission access and environmental approval be provided for all Facilities (clause 4.10.1). The IMO also proposes to require that Market Participants provide information about any network constraints that may impact the availability of the capacity of the Facility (clauses 4.11.1 and 4.11.5).

Issue 6: Clarification around Intermittent and other Non-Scheduled Generators

Applications for Certified Reserve Capacity for Intermittent Generators that have yet to enter service must include a report prepared by an accredited expert. The use of the expert report requires clarification in the Market Rules.

- The Market Rules state that the IMO “must” use the expert report provided for the Facility, even when the information contained in the expert report is potentially invalid.
- The Market Rules currently imply that a Participant must produce a new report each year that will estimate the Facility output over the preceding three years. Given that the report is unlikely to vary significantly from previous versions, this may require additional, unnecessary cost to the Market Participant.
- The Market Rules do not currently require the provision of an expert report for an in-service Facility that has not yet operated for the full period of performance assessment. In this scenario, the Market Rules state that the IMO must estimate the Facility output for the remainder of the assessment period but do not necessarily require the use of the expert report in this case.

Proposed Solution

The IMO proposes to amend the Market Rules to:

- allow the IMO to reject the expert report if it reasonably believes it to be inaccurate (clause 4.11.3A);

- stipulate that the same expert report can be provided by the Market Participant until the Facility has operated for the full period of performance assessment (clause 4.10.3);
- stipulate that the expert report must also be provided for an in-service Facility that has not yet operated for the full period of performance assessment (clause 4.10.3); and
- remove unnecessary duplication in the Rules that discuss the expert report, predominantly by removing the text in 4.11.1(d) and (e).

Issue 7: Transmission or other network constraints

Where a Facility is subject to a Network Control Services contract, the Market Rules currently direct the IMO to assign Capacity Credits to the Facility with regard to any transmission constraints that are likely to occur (clause 4.11.1 (g)). The IMO Procedure Change and Development Working Group identified that this definition is too narrow and considered that this needs to be broadened to refer to network constraints¹.

Proposed Solution

The IMO proposes to replace the phrase “transmission constraints” with “network constraints” in the Market Rules (clause 4.11.1).

Issue 8: Erroneous references to “Registered Facilities”

Section 4.28C of the Market Rules, covering the Early Certification of Reserve Capacity, contains erroneous references to Registered Facilities. New Facilities may not be registered at the time that an application for certification of Reserve Capacity is submitted.

Proposed Solution

The IMO proposes to correct the erroneous references to Registered Facilities contained in section 4.28C.

Issue 9: Provision of calculations on which the IMO’s assessment is based

The IMO is currently required to provide each Market Participant with the “calculations upon which the IMO’s determinations are based” when advising the Participant of the amount of Certified Reserve Capacity being assigned to each Facility (clause 4.9.9(e)). Given the large number of Facilities, this is an onerous requirement for the IMO.

Proposed Solution

The IMO proposes to amend the Market Rules to state that the IMO must provide these calculations when requested to do so by a Market Participant (clause 4.9.9(e)).

Issue 10: Publication of Certified Reserve Capacity information by Facility

¹ See minutes from Meeting #5, 22 April 2010, page 7

The IMO is currently permitted to publish Capacity Credit information by Facility. One Market Participant has suggested that the IMO could similarly publish the quantity of Certified Reserve Capacity assigned to each Facility prior to the Bilateral Trade Declaration process.

The publication of such information could assist Participants in assessing whether to withdraw some Certified Reserve Capacity in an over-supply scenario. Such a result could reduce the number of Capacity Credits awarded through market forces and thus lower the total cost of capacity in the market. There may be a risk that the publication of this data could encourage Participants to force a Reserve Capacity Auction, and potentially a higher Reserve Capacity Price, if the level of Certified Reserve Capacity matches, or fails to reach, the Reserve Capacity Requirement.

Proposed Solution

The IMO proposes to publish of the quantity of Certified Reserve Capacity assigned to each Facility on the same day that each Market Participant is notified of its Certified Reserve Capacity (clauses 4.4.9A and 10.5.1).

Issue 11: Changes to Facility design after Capacity Credits awarded OR Maintenance of data provided for Certification of Reserve Capacity

The Market Rules are currently silent on the subject of changes to a Facility after it has been awarded Certified Reserve Capacity and do not preclude changes to the Facility details from the time it is assigned Capacity Credits. Changes to the design of a Facility may be such that the IMO should reassess the Facility to confirm that the change would not have prevented the IMO from assigning Certified Reserve Capacity. Such a reassessment would require the payment of an Application Fee to the IMO, similar to the requirements for applications for conditional certification or subsequent Early Certified Reserve Capacity.

Proposed Solution

The IMO proposes that Market Participants should provide a summary of the main components of the Facility in their application for Certified Reserve Capacity (clause 4.10.1). The IMO also proposes that Market Participants be obliged to advise the IMO of any changes to the information provided in applications for Certified Reserve Capacity (new clause 4.10.4).

The IMO would then review the changes and determine whether it would need to reassess the Facility to determine whether it still meets the requirements or Certified Reserve Capacity (new clause 4.11.10). The Market Participant will pay a fee to the IMO for this reassessment (clause 4.9.3(c)).

Issue 12: Repeated rejection of progress reports by IMO

Once Capacity Credits are assigned to a new Facility for the first time, the Market Participants must provide 3-monthly progress reports from the date that the assignment of Capacity Credits is confirmed until the start of the calendar year in which the Facility was initially scheduled to commence operation. The Market Participant must then provide monthly progress reports until the project commences operation. The progress report may include a revised nomination for the date that Facility is scheduled to be able to fully meet its Reserve Capacity Obligations.

Clause 4.27.11A of the Market Rules requires that the IMO “must not approve a nomination for a date which would have prevented the IMO from assigning Certified Reserve Capacity to a Facility” and must advise the Market Participant within 10 business days of its decision to reject the nomination and the reason for doing so. In the event that a project is delayed and the completion date is pushed beyond the 4-month window in which Reserve Capacity Obligations can commence, this clause forces the IMO to reject every subsequent progress report and to repeatedly notify the Market Participant of this rejection. As the window for the commencement of Reserve Capacity Obligations is stated clearly in clause 4.1.26 of the Market Rules, this repeated rejection of the nomination is not informative for Market Participants and unnecessarily increases the workload of the IMO.

Proposed Solution

The IMO proposes to clarify clause 4.27.11A to state that the IMO only needs to approve or reject a nomination if it would result in a change to the date from which Reserve Capacity Obligations would commence.

1.3. The Proposal and the Wholesale Market Objectives

The IMO’s assessment of the impact of each of the discrete proposed changes is presented below:

Issue 1: Reserve Capacity Mechanism Timelines

The IMO considers the proposed changes to the Reserve Capacity Mechanism timeline will be consistent with the Wholesale Market Objectives.

Issue 2: Requirement for compliant application to be submitted for Certified Reserve Capacity

The IMO considers the changes proposed to specifically require Market Participants to provide a compliant application for Certified Reserve Capacity will have the following impact on the Market Objectives:

Impact	Market Objectives
Allow the Market Rules to better address the objective.	a
Consistent with objective.	b, c, d, e
Inconsistent with objective.	

The IMO considers that the proposed amendments will promote the safe and reliable supply of electricity in the SWIS (Market Objective (a)). In particular, the IMO considers that by ensuring certification of facilities is based on a correct and complete application, the capacity requirements of the SWIS will be adequately met.

Issue 3: Clarification of Required Availability



The IMO considers the changes clarifying the required availability will have the following impact on the Market Objectives:

Impact	Market Objectives
Allow the Market Rules to better address the objective.	a, c
Consistent with objective.	b, d, e
Inconsistent with objective.	

The IMO considers that relaxing the currently onerous provision for peaking plant to have sufficient fuel for 14 hours a day 10 months of the year will ensure that all energy options and technologies are equivalently treated (Market Objective (c)). In particular, the IMO considers the Market Rules currently unnecessarily discriminate against peaking plant.

Additionally, the IMO considers that clarifying that Non-Scheduled Generators, that are unable to increase output when instructed by System Management, can not be certified under the methodology described under clause 4.11.1(a) will promote the safe and reliable supply of electricity in the SWIS (Market Objective (a)). By ensuring that facilities are certified via the correct methodology, the availability of the Facility for the purposes of supplying capacity during peak periods will be correctly identified for the purposes of System Management.

The IMO considers the proposed amendments to clarify that a dual-fuelled facility must be able to operate for 12 hours at the requested level of Certified Reserve Capacity is consistent with the Market Objectives.

Issue 4: Transmission Access Requirements

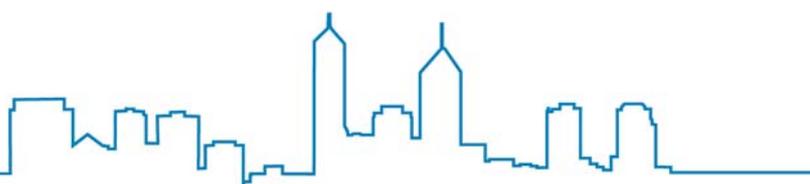
The IMO considers the changes proposed to the terminology of transmission access requirements will be consistent with the Wholesale Market Objectives.

Issue 5: Widen requirement for provision of environmental and transmission access approvals

The IMO considers that the changes to require evidence of transmission access and environmental approval for all Facilities and the expansion of the consideration of network constraints that may impact the availability of the capacity will have the following impact on the Market Objectives:

Impact	Market Objectives
Allow the Market Rules to better address the objective.	a
Consistent with objective.	b, c, d ,e
Inconsistent with objective.	

The IMO considers that consideration of up-to-date transmission access and environmental approvals in the certification process for existing facilities will help ensure the required level of reliable capacity available in the SWIS. Further by ensuring that any network constraints, for both new and existing facilities, are taken into account the safety and reliability of the SWIS will be promoted (Market Objective (a))



Issue 6: Clarification around Intermittent and other Non-Scheduled Generators

The IMO considers the changes clarifying the Market Rules around Intermittent and other Non-Scheduled Generators will have the following impact on the Market Objectives:

Impact	Market Objectives
Allow the Market Rules to better address the objective.	a
Consistent with objective.	b, c, d, e
Inconsistent with objective.	

The IMO considers that the ability to consider the validity of an expert report will ensure facilities are assigned Certified Reserve Capacity on the most appropriate basis. This will promote Power System Security and reliability by ensuring the capacity requirements for the SWIS are met by the IMO during certification (Market Objective (a)).

The IMO considers that the other proposed amendments to:

- clarify that the same expert report may be provide under the Facility has operated for the full period of its performance assessment;
- stipulate that an expert report must also be provided by an in-service Facility that has not yet operated for the full period of performance assessment; and
- remove unnecessary duplication in the Market Rules,

are consistent with the Wholesale Market Objectives.

Issue 7: Transmission or other network constraints

The IMO considers the change to consider network constraints and not just transmission constraints when assigning Capacity Credits for Facilities subject to Network Control Service Contracts will have the following impact on the Market Objectives:

Impact	Market Objectives
Allow the Market Rules to better address the objective.	a
Consistent with objective.	b, c, d, e
Inconsistent with objective.	

The IMO considers that by ensuring facilities with a Network Control Service contract are assigned capacity credits based on network constraints and not just transmission constraints will promote power system security and reliability (Market Objective (a)). Certification of capacity that is based on all known constraints will ensure that adequate capacity is secured for the SWIS.

Issue 8: Erroneous references to “Registered Facilities”

The IMO considers that the correction of references to “Registered Facilities” is consistent with the Wholesale Market Objectives.



Issue 9: Provision of calculations on which the IMO's assessment is based.

The IMO considers the change to only provide details of the calculations on which the IMO's assessment was based if requested will have the following impact on the Market Objectives:

Impact	Market Objectives
Allow the Market Rules to better address the objective.	a
Consistent with objective.	b, c, d, e
Inconsistent with objective.	

The IMO considers that by only requiring the IMO to provide information if requested by a Market Participant this will promote the allocative efficiency of IMO resources (Market Objective (a)).

Issue 10: Publication of Certified Reserve Capacity information by Facility

The IMO considers the change to publish the quantity of Certified Reserve Capacity assigned to each Facility on the same day that each Market Participant is notified of its Certified Reserve Capacity will have the following impact on the Market Objectives:

Impact	Market Objectives
Allow the Market Rules to better address the objective.	b
Consistent with objective.	a, c, d, e
Inconsistent with objective.	

The IMO considers that publishing information of Certified Reserve Capacity assigned to Facility will promote greater transparency of the quantities assigned to each Facility. The IMO considers that this will promote greater competition in the SWIS (Market Objective (b))

Issue 11: Changes to Facility design after Capacity Credits awarded or Maintenance of data provided for Certification of Reserve Capacity

The IMO considers the change to require Market Participants to provide details of the main components of their Facility in their application for Certified Reserve Capacity, and advise the IMO of any changes to this information will have the following impact on the Market Objectives:

Impact	Market Objectives
Allow the Market Rules to better address the objective.	a
Consistent with objective.	b, c, d, e
Inconsistent with objective.	

The IMO considers that by requiring information on the main components of a facility and advice of any subsequent changes the IMO will be able to ensure that the facility is correctly certified based on its specific attributes. This will promote security and reliability in the SWIS by ensuring that capacity requirements are met during certification (Market Objective (a))



Issue 12: Repeated rejection of progress reports by IMO

The IMO considers the change to no longer require the IMO to repeatedly inform a late facility that its progress report is rejected will have the following impact on the Market Objectives:

Impact	Market Objectives
Allow the Market Rules to better address the objective.	a
Consistent with objective.	b, c, d, e
Inconsistent with objective.	

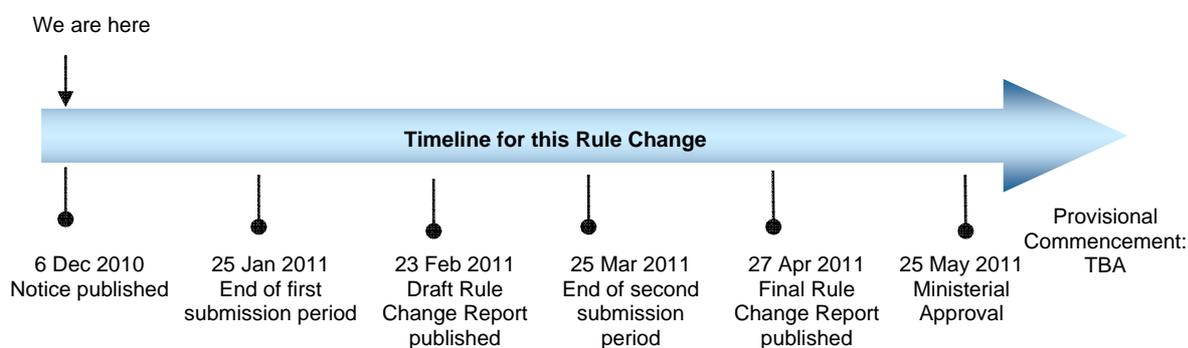
The IMO considers that by not being required to repeatedly inform a Market Participant of a reject of its progress report if it is late the allocative efficiency of IMO resources will be promoted (Market Objective (a))

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.

This Rule Change Proposal will be processed using the Standard Rule Change Process, described in section 2.7 of the Market Rules.

The projected timelines for processing this proposal are:



Please note that the time for the first submission period has been extended beyond the usual 30 Business Days to better align operational considerations over the Christmas period as published in the extension notice on 6 December 2010. All other dates have been adjusted accordingly.

3. CALL FOR SUBMISSIONS

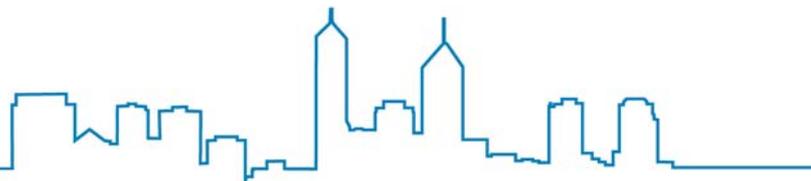
The IMO is seeking submissions regarding this proposal. The submission period is 33 Business Days from the publication date of this Rule Change Notice. Submissions must be delivered to the IMO by 5pm on **Tuesday 25 January 2011**.

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/rule-changes>.

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

Independent Market Operator
Attn: General Manager Development
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 text~~, added text):

The following changes will amend the Reserve Capacity Cycle timeline and clarify the timing of the assignment of Capacity Credits to Facilities, as proposed in the discussion of Issue 1.

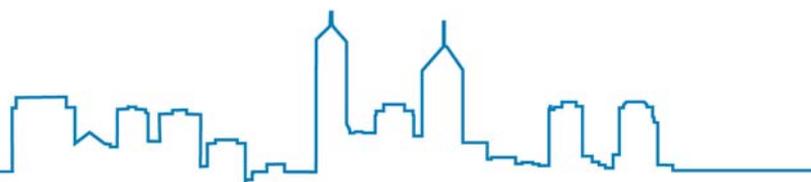
- 4.1.8. The IMO must publish a Statement of Opportunities Report produced in accordance with the Long Term PASA process described in clause 4.5.11 by 5 PM of the first Business Day falling on or following 17 June ~~4 July~~ of Year 1 of the relevant Reserve Capacity Cycle.
- 4.1.9. The IMO must release the Reserve Capacity Information Pack in accordance with clause 4.7.1 by 5 PM of the first Business Day falling on or following 17 June ~~4 July~~ of Year 1 of the relevant Reserve Capacity Cycle.
- 4.1.10. The IMO must publish on the Market Web Site the Reserve Capacity Information Pack in accordance with clause 4.7.2 by 5 PM of the first Business Day falling on or following 24 June ~~4 July~~ of Year 1 of the relevant Reserve Capacity Cycle.
- 4.1.11. The IMO must cease to accept lodgement of applications for certification of Reserve Capacity for the Reserve Capacity Cycle in accordance with clause 4.9.1 from 5 PM of the last Business Day falling on or before:
- (a) 20 July of Year 1 of the Reserve Capacity Cycle for Reserve Capacity Cycles up to and including 2010; and
 - (b) 1 July of Year 1 for Reserve Capacity Cycles from 2011 onwards.
- 4.1.12. The IMO must notify each applicant for certification of Reserve Capacity of the Certified Reserve Capacity to be assigned by 5 PM of the last Business Day on, or before:
- (a) 5 August of Year 1 of the Reserve Capacity Cycle for Reserve Capacity Cycles up to and including 2010; and
 - (b) 19 August of Year 1 for Reserve Capacity Cycles from 2011 onwards.
- 4.1.13. Each Market Participant must provide to the IMO any Reserve Capacity Security (~~in full~~) required in accordance with clause 4.13.1 not later than 5 PM of the last Business Day falling on or before:
- (a) for Reserve Capacity Cycles up to and including 2010: 10 August of Year 1 of the relevant Reserve Capacity Cycle if any of the Facility's Certified Reserve Capacity is specified to be traded bilaterally in accordance with clause 4.14.1(c); or

- (i) 10 August of Year 1 of the relevant Reserve Capacity Cycle if any of the Facility's Certified Reserve Capacity is specified to be traded bilaterally in accordance with clause 4.14.1(c); or
 - (ii) 29 August of Year 1 of the relevant Reserve Capacity Cycle if any of the Facility's Certified Reserve Capacity is specified to be offered into the Reserve Capacity Auction in accordance with clause 4.14.1(a) and where none of the Facility's Certified Reserve Capacity is specified to be traded bilaterally in accordance with clause 4.14.1(c).
- (b) ~~for Reserve Capacity Cycles from 2011 onwards: 29 August of Year 1 of the relevant Reserve Capacity Cycle if any of the Facility's Certified Reserve Capacity is specified to be offered into the Reserve Capacity Auction in accordance with clause 4.14.1(a) and where none of the Facility's Certified Reserve Capacity is specified to be traded bilaterally in accordance with clause 4.14.1(c).~~
- (i) 2 September of Year 1 of the relevant Reserve Capacity Cycle if any of the Facility's Certified Reserve Capacity is specified to be traded bilaterally in accordance with clause 4.14.1(c); or
 - (ii) 14 September of Year 1 of the relevant Reserve Capacity Cycle if any of the Facility's Certified Reserve Capacity is specified to be offered into the Reserve Capacity Auction in accordance with clause 4.14.1(a) and where none of the Facility's Certified Reserve Capacity is specified to be traded bilaterally in accordance with clause 4.14.1(c).

4.1.14. Each Market Participant holding Certified Reserve Capacity for the Reserve Capacity Cycle must provide to the IMO notification in accordance with clause 4.14.1 as to how much of its Certified Reserve Capacity will be traded bilaterally and how much will be offered to the IMO in the Reserve Capacity Auction held in Year 1 of the relevant Reserve Capacity Cycle not later than 5 PM of the last Business Day falling on or before:

- (a) 9 September 2005, in the case of the first Reserve Capacity Cycle; ~~and~~
- (b) 10 August of Year 1, in the case of subsequent Reserve Capacity Cycles up to and including 2010; and
- (c) 2 September of Year 1, in the case of Reserve Capacity Cycles from 2011 onwards.

4.1.16. The IMO must publish the information required by clauses 4.15.1 and 4.15.2 pertaining to whether or not a Reserve Capacity Auction is required by 5 PM of the last Business Day falling on or before:



- (a) 16 September 2005, in the case of the first Reserve Capacity Cycle; ~~and~~
- (b) 18 August of Year 1, in the case of subsequent Reserve Capacity Cycles up to and including 2010; ~~and~~
- (c) the first Business Day following the confirmation deadline specified in clause 4.1.15, in the case of Reserve Capacity Cycles from 2011 onwards.

If the Reserve Capacity Auction is cancelled, the IMO will assign Capacity Credits on the same day in accordance with clause 4.20.5A(a).

4.1.17. If a Reserve Capacity Auction proceeds, then the IMO must accept submission of Reserve Capacity Offers from Market Participants in accordance with clause 4.17.2:

- (a) from 9 AM of the first Business Day falling on or following:
 - i. 20 September 2005 of Year 1, in the case of the first Reserve Capacity Cycle; ~~and~~
 - ii. 20 August of Year 1, in the case of subsequent Reserve Capacity Cycles up to and including 2010; and
 - iii. the second Business Day following the confirmation deadline specified in clause 4.1.15, in the case of Reserve Capacity Cycles from 2011 onwards.
- (b) until 5 PM of the last Business Day falling on or before:
 - i. 29 September 2005, in the case of the first Reserve Capacity Cycle; and
 - ii. 29 August of Year 1, in the case of subsequent Reserve Capacity Cycles up to and including 2010; and
 - iii. 14 September of Year 1, in the case of Reserve Capacity Cycles from 2011 onwards.

4.1.18. If a Reserve Capacity Auction proceeds, then the IMO must

- (a) run the Reserve Capacity Auction on the first Business Day falling on or following:
 - i. 3 October of 2005, in the case of the first Reserve Capacity Cycle; ~~and~~
 - ii. 1 September of Year 1, in the case of subsequent Reserve Capacity Cycles up to and including 2010; and
 - iii. 15 September of Year 1, in the case of Reserve Capacity Cycles from 2011 onwards; and
- (b) must publish the results in accordance with clause 4.19.5 by 5 PM of that day.

4.1.20. Each Market Participant holding Certified Reserve Capacity ~~to be traded bilaterally or~~ which has been scheduled by the IMO in a Reserve Capacity Auction must provide to the IMO:

- (a) notification, in accordance with clause 4.20, of how many Capacity Credits each Facility will provide; and
- (b) notification of any Long Term Special Price Arrangements to be accepted in accordance with clause 4.22,

not later than 5 PM of the last Business Day falling on or before 21 September 20~~December~~ of Year 1 of the relevant Reserve Capacity Cycle.

4.1.21. Not later than 5 PM of the last Business Day falling on or before 24 September 23~~December~~ of Year 1 of a Reserve Capacity Cycle, the IMO must, in accordance with clause 4.13.10:

- (a) notify a Market Participant that has provided a Reserve Capacity Security for a Facility that the Reserve Capacity Security is no longer required; and
- (b) return any Reserve Capacity Security which was provided in the form of a cash deposit,

in the event that the Market Participant does not hold Capacity Credits for the Facility to which the Reserve Capacity Security relates in the relevant Reserve Capacity Cycle.

4.1.21A. Not later than 5 PM of the last Business Day falling on or before 24 September of Year 1 of a Reserve Capacity Cycle, the IMO must, in the event that a Reserve Capacity Auction was required, assign Capacity Credits in accordance with clause 4.20.5A.

The following changes will change the phrase “Access Offer(s)” to “Access Proposals” as proposed in the discussion of Issue 4.
--

4.2.7. By the date and time specified in clause 4.1.6, the IMO must publish the following information:

- (a) the number of Expression of Interests received;
- (b) based on the Expression of Interests, the additional Reserve Capacity potentially available, categorised as:
 - i. capacity associated with Facilities that are committed; and

- ii. capacity associated with Facilities that are not yet committed, where this capacity is to be further categorised between new Facilities for which:
 1. an offer by the relevant Network Operator to enter into an Arrangement for Access ("**Access Proposal Offer**") has been made and all necessary Environmental Approvals granted;
 2. applications for both Access Proposals ~~Offers~~ and Environmental Approvals have been made and one or both are being processed;
 3. no Access Proposal ~~Offer~~ has been applied for or some or all Environmental Approvals have not been applied for;

...

4.4.1. An Expression of Interest for a Reserve Capacity Cycle must include the following information:

...

(d) for each Facility:

...

- ii. the status of any applications for Access Proposals ~~Offers~~ in respect of that Facility;

...

The following amendment adds the requirement for payment of an Application Fee where a Market Participant changes the details of a Facility, requiring reassessment against the requirements for Certified Reserve Capacity. This is proposed in the discussion of Issue 11.

4.9.3. A Market Participant applying for certification of Reserve Capacity must provide to the IMO:

...

- (c) in the case of an application for conditional certification for a future Reserve Capacity Cycle, a reassessment of the assignment of Certified Reserve Capacity under clause 4.11.10, or subsequent applications for Early Certified Reserve Capacity for a Facility for the same Reserve Capacity Cycle, an Application Fee to cover the cost of processing the application.

The following amendment updates a reference as a result of the changes proposed in the discussion of Issue 6.

4.9.5. If the IMO assigns Certified Reserve Capacity to a Facility for a future Reserve Capacity Cycle under clause 4.11 (“**Conditional Certified Reserve Capacity**”):

...

(c) if the IMO is satisfied that the application re-lodged in accordance with paragraph (b) is consistent with the information upon which the Conditional Certified Reserve Capacity was assigned and is correct, then the IMO must confirm:

- i. the Certified Reserve Capacity;
- ii. the Reserve Capacity Obligations Quantity; and
- iii. the Reserve Capacity Security levels,

that were previously conditionally assigned, set or determined by the IMO, subject to the Certified Reserve Capacity for an Intermittent Generator being assigned in accordance with clause 4.11.2(b)~~4.11.1(d)~~ or 4.11.1(e); and

...

The following change will reduce the burden on the IMO in relation to the provision of calculations upon which the determination of Certified Reserve Capacity is based, as proposed in the discussion of Issue 9.

4.9.9. If the IMO assigns Certified Reserve Capacity to a Facility in respect of a Reserve Capacity Cycle, the IMO must advise the applicant:

...

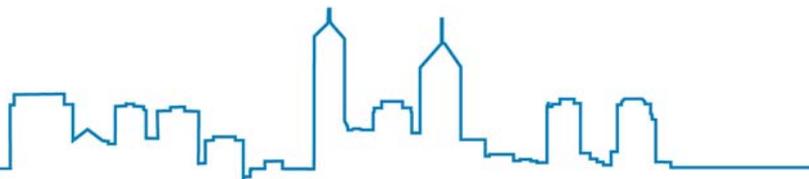
(e) upon the request of the applicant, the calculations upon which the IMO’s determinations are based.

The following change will allow the IMO to publish the level of Certified Reserve Capacity assigned to each Facility, as proposed in the discussion of Issue 10. This information will be classified as public information, clause 10.5.1 will be amended to reflect this.

4.9.9A The IMO must publish, by the date and time specified in clause 4.1.12, the level of Certified Reserve Capacity assigned to each Facility.

The following amendments will:

(a) change the phrase “Access Contract” to “Access Proposals” (Issue 4);



(b) widen the requirement to provide transmission access and environmental approvals (Issue 5); and

(c) require applicants for Certified Reserve Capacity to provide a summary of the main components of their Facilities (Issue 11). It is expected that this requirement will be explained in further detail in the Market Procedure to provide guidance to Market Participants.

4.10.1. The information to be submitted with an application for certification of Reserve Capacity must pertain to the Reserve Capacity Cycle to which the certification relates, must be supported by documented evidence and must include, where applicable, the following information:

(a) the identity of the Facility;

(b) the Reserve Capacity Cycle to which the application relates;

(bA) with the exception of applications for Conditional Certified Reserve Capacity:

i. evidence of an Arrangement for Access or evidence that the Market Participant has accepted an Access Proposal from the relevant Network Operator made in respect of the Facility and that the Facility will be entitled to have access from a specified date occurring prior to the date specified in clause 4.10.1(c)(iii)(7), including the level of unconstrained access and details of any constraints that may apply;

ii. evidence that any necessary Environmental Approvals have been granted or evidence supporting the Market Participant's expectation that any necessary Environmental Approvals will be granted in time to have the Facility meet its Reserve Capacity Obligations by the date specified in clause 4.10.1(c)(iii)(7);

(c) if the Facility, or part of the facility, is yet to enter service:

i. ~~[Blank] with the exception of applications for Conditional Certified Reserve Capacity, a letter from the relevant Network Operator indicating that it has made an Access Proposal Offer in respect of the Facility and that the Facility will be entitled to have access from a specified date occurring prior to the date specified in clause 4.10.1(c)(iii)(7);~~

ii. ~~[Blank] with the exception of applications for Conditional Certified Reserve Capacity, evidence that any necessary Environmental Approvals have been granted or evidence supporting the Market Participant's expectation that any necessary Environmental Approvals will be granted in time to have the Facility meet its Reserve Capacity Obligations by the date specified in clause 4.10.1(c)(iii)(7);~~

...

(dA) a description of the main components of the Facility;

...

The following change will clarify the required availability for a Facility being assessed according to the methodology described in clause 4.11.1(a), as proposed in the discussion of Issue 3.

4.10.2. For the purpose of clause 4.10.1(e)(v), an applicant may not claim that a Facility has an alternative fuel unless the Facility has on-site storage, or uninterruptible supply of that fuel, sufficient to maintain 12 hours of operation at the level of capacity specified in clause 4.10.1(e)(ii).

The following changes will clarify the use of the expert report for Intermittent Generation Facilities that have yet to enter service in assigning Certified Reserve Capacity, as proposed in the discussion of Issue 6.

4.10.3. An application for certification of Reserve Capacity for an Intermittent Generator that is yet to enter service, or has not operated for the full period of performance assessment under 4.11.2(b), must include a report prepared by an expert accredited by the IMO, in accordance with clause 4.11.6 the Reserve Capacity Procedure, where this report is to be used to assign the Certified Reserve Capacity for that Facility in accordance with clause 4.11.1(e). The report must include estimates of the expected electricity sent out by the Facility for the full period of performance assessment under 4.11.2(b). The applicant may provide the same report until the Facility has been in operation for the full period of performance assessment under clause 4.11.2(b).

The following new clause will require a Market Participants to advise the IMO in the event that any of the details provided in its application for Certified Reserve Capacity have changed, as proposed in the discussion of Issue 11.

4.10.4. Market Participants must advise the IMO if any of the details provided in an application for Certified Reserve Capacity for a Facility, in accordance with this section 4.10, have changed.

The following changes will:

- (a) ensure that the assignment of Certified Reserve Capacity must relate to the submission of an application submitted in accordance with section 4.10 (issue 2);
- (b) clarify the required availability for a Facility being assessed according to the methodology described in clause 4.11.1(a) (issue 3);
- (c) link the level of Certified Reserve Capacity to the unconstrained level of network access (issue 5);



(d) remove duplication associated with the use of the expert report for Intermittent Generation Facilities that have yet to enter service (issue 6); and

(e) widen the consideration of transmission constraints to all network constraints in the assessment of Certified Reserve Capacity for a Facility that will be subject to a Network Control Service contract (issue 7).

4.11.1. Subject to clause 4.11.7, the IMO must apply the following principles in assigning a quantity of Certified Reserve Capacity to a Facility for the Reserve Capacity Cycle ~~to~~ for which the an application for Certified Reserve Capacity has been submitted in accordance with section 4.10relates:

(a) subject to clause 4.11.2, the Certified Reserve Capacity for a Facility for a Reserve Capacity Cycle is not to exceed the IMO's reasonable expectation as to the amount of capacity likely to be available and able to be dispatched by System Management from that Facility, after netting off capacity required to serve Intermittent Loads, embedded loads and Parasitic Loads, ~~at daily peak demand times for Peak Trading Intervals on Business Days~~ in the period from the:

(b) where the Facility is a generation system (other than an Intermittent Generator), the Certified Reserve Capacity must not exceed the sum of the capacities specified in clauses 4.10.1(e)(ii) and 4.10.1(e)(iii), and must not exceed the unconstrained level of network access as provided in 4.10.1(bA);

...

(d) [Blank] ~~the IMO must assign Certified Reserve Capacity for Intermittent Generators that are already operating equal to the Relevant Level determined in accordance with clause 4.11.3A but subject to (b), (c), (f), (g), (h) and (i).~~

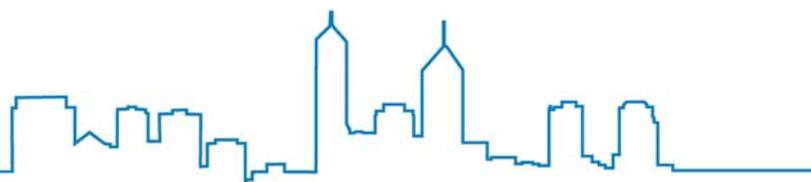
(e) [Blank] ~~the IMO must assign Certified Reserve Capacity to an Intermittent Generator that is yet to commence operation based on:~~

i. ~~the Certified Reserve Capacity estimate contained in any report provided by the applicant in accordance with clause 4.10.3, where:~~

1. ~~the report was produced by an expert accredited by the IMO in accordance with clause 4.11.6; and~~

2. ~~the estimate reflects what the expert considers the Certified Reserve Capacity of the Facility would have been for the purposes of clause 4.11.2(b) had a history of performance been available.~~

...



- (g) in respect of a Facility that will be subject to a Network Control Service contract, the IMO must not assign Certified Reserve Capacity in excess of the capacity that the IMO believes that Facility can usefully contribute given its location and any ~~transmission network~~ constraints that are likely to occur;

...

The following change to section 4.11 will ensure that Certified Reserve Capacity can only be assigned to a Facility for which an application has been submitted in accordance with section 4.10, as proposed in the discussion of Issue 2.

- 4.11.2. Where an applicant submits an application for Certified Reserve Capacity, in accordance with section 4.10, and nominates under clause 4.10.1(i) to have the IMO use the methodology described in clause 4.11.2(b) to apply to a Scheduled Generator or a Non-Scheduled Generator, the IMO:

...

The following amendment will clarify that the IMO can reject the expert report for Intermittent Generation Facilities that have yet to enter service in assigning Certified Reserve Capacity, as proposed in the discussion of Issue 6. The ability to reject an expert report will be a Reviewable Decision which will be incorporated as part of RC_2010_25. Further details around the ability of the IMO to reject an expert report will be included in the Certification of Reserve Capacity Market Procedure.

- 4.11.3A. The Relevant Level in respect of a Facility at a point in time is determined by the IMO following these steps:

...

- (c) If the Generator has not entered service, or if it entered service during the period referred to in step (a), estimate the amount of electricity (in MWh) that would have been sent out by the facility, had it been in service, for all Trading Intervals occurring during the period referred to in (a) which are prior to it entering service. The IMO must use the estimates included in the expert report provided in accordance with clause 4.10.3, unless it reasonably believes the report to be inaccurate; and

The following amendment updates a reference in relation to the provision of network access information, in line with the changes proposed in the discussion of Issue 5.

- 4.11.5. In assigning Certified Reserve Capacity to a Facility, the IMO may:



- (a) require Network Operators to confirm that the data and information related to clause 4.10.1(bA)(e)(i) provided to the IMO by or on behalf of an applicant for Certified Reserve Capacity is complete, accurate and up to date; and

...

The following new clause will require the IMO to review any information relating to a Facility, provided by a Market Participant, which has changed since that Facility was granted Certified Reserve Capacity and will allow the IMO to determine whether the changes require the IMO to reassess the assignment of Certified Reserve Capacity for that Facility, as proposed in the discussion of Issue 11.

4.11.10. Upon the receipt of advice provided in accordance with clause 4.10.4 for a Facility that has already been assigned Capacity Credits for the relevant Capacity Year, the IMO must review the information provided and decide whether it is necessary for the IMO to reassess the assignment of Certified Reserve Capacity to the Facility. If this information would have resulted in the IMO assigning a lower, non-zero level of Certified Reserve Capacity the IMO must reduce the Capacity Credits assigned to that Facility accordingly and must advise the Market Participant within 90 days of receiving the submission.

The following changes will clarify the timing of the assignment of Capacity Credits to Facilities and the publication of this information, as proposed in the discussion of Issue 1. Some punctuation is also corrected.

4.15.1. If the information provided under clauses 4.14 and 4.28C indicates that no Certified Reserve Capacity is to be made available in the Reserve Capacity Auction for a Reserve Capacity Cycle, or, based on the information received under clause 4.14, the IMO considers that the Reserve Capacity Requirement for the Reserve Capacity Cycle will be met without an auction, then, by the date and time specified in clause 4.1.16, the IMO must publish a notice specifying for that Reserve Capacity Cycle:

...

- (cA) the Capacity Credits assigned, by Facility, under clause 4.28C;

...

~~4.20.1. Each Market Participant~~ If the IMO holds a Reserve Capacity Auction in any year, each Market Participant that has a Reserve Capacity Offer scheduled under clause 4.19.4 must, by the date and time specified in clause 4.1.20, notify the IMO of:

- (a) the total number of Capacity Credits that it will provide from each of its Facility Facilities ~~will provide~~ during the Capacity Year commencing on 1 October of

Year 3 of the Reserve Capacity Cycle. The information provided must be consistent with the requirements of paragraph (c) and (e); and

- (b) the number of those Capacity Credits the Market Participant anticipates will be acquired by the IMO. ~~has acquired as a result of the Reserve Capacity Auction, subject to~~ The information provided must be consistent with the requirements of paragraph (d) and (ee);

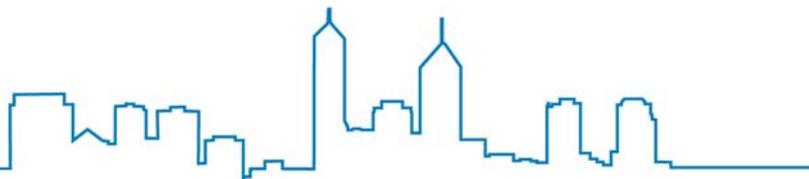
...

- (d) the total number of Capacity Credits which the Market Participant anticipates will be acquired by the IMO from the Market Participant must be consistent with
- i. the quantity of Certified Reserve Capacity held by that Market Participant and scheduled by the IMO in the Reserve Capacity Auction, as published in accordance with clause 4.19.5(b);
 - ii. the quantity of Certified Reserve Capacity held by the Market Participant which remains the subject of pre-existing Long Term Special Price Arrangements and which the Market Participant intends not to trade bilaterally; and
 - iii. plus the quantity of Certified Reserve Capacity held by the Market Participant for Facilities to be subject to Network Control Service Contracts except where these are to be traded bilaterally as defined in clause 4.14.2; and

...

4.20.5A Where a Reserve Capacity Auction is:

- (a) cancelled under clause 4.15.1 the IMO must assign Capacity Credits to each Facility included in a notification under clause 4.14.9. The quantity of Capacity Credits assigned will equal the quantity in the notification. The IMO must publish the Capacity Credits assigned, by Facility, by the date and time specified in clause 4.1.16.
- (b) not cancelled under clause 4.15.1 the IMO must assign Capacity Credits:
- i. to each Facility for which a Market Participant lodged a notification under clause 4.20.1(a). The quantity of Capacity Credits assigned will equal the quantity notified under that clause and confirmed by the IMO under clause 4.20.2; and
 - ii. to each Facility included in a notification under clause 4.14.9. The quantity of Capacity Credits assigned will equal the quantity notified



under that clause, as may be amended by a notification given under clause 4.20.1 and confirmed by the IMO under clause 4.20.2.

The IMO must publish the Capacity Credits assigned, by Facility, by the date and time specified in clause 4.1.21A; and

(c) not cancelled under clause 4.15.1 and the IMO receives no notification under clause 4.20.1 from a Market Participant, the IMO must not assign Capacity Credits to that Market Participant.

4.27.10. Subject to clauses 4.27.11C and 4.27.10A, Market Participants holding Capacity Credits for Facilities that are yet to commence operation must file a report on progress with the IMO at least once every three months from the date the Capacity Credits are ~~is~~ confirmed under clause 4.20.5A.

The following change will remove the IMO's obligation to repeatedly reject progress reports for a Facility that will commence operation late, as proposed in the discussion of Issue 12.

4.27.11A On receiving the report described in clause 4.27.10 or clause 4.27.10A, the IMO must conduct an assessment and approve or not approve the current nominations for each date provided in accordance with clause 4.27.11 where the current nomination differs from the previous nomination and would result in a change to the date from which Reserve Capacity Obligations apply for that Facility. ~~The IMO must not approve a nomination for a date which would have prevented the IMO from assigning Certified Reserve Capacity to a Facility.~~

The following changes will remove the erroneous references to Registered Facilities, as proposed in the discussion of Issue 8.

4.28C.1. This section 4.28C is applicable to ~~Registered~~ Facilities to which the following conditions apply:

...

4.28C.2 A Market Participant with a ~~Registered~~ Facility that meets the criteria in 4.28C.1 may apply to the IMO, at any time ~~between the date when the Facility was registered under Chapter 2 and~~ before 1 January of Year 1 of the Capacity Cycle to which the application relates, for certification of Capacity and Capacity Credits for that Facility ("Early Certified Reserve Capacity").

The following change will allow the IMO to publish the level of Certified Reserve Capacity assigned to each Facility, as proposed in the discussion of Issue 10.

10.5.1 The IMO must set the class of confidentiality status for the following information under clause 10.2.1, as Public and the IMO must make each item of information available from the Market Web-Site after that item of information becomes available to the IMO:

...

(f) the following Reserve Capacity information (if applicable):

...

iiiA. for each Market Participant that was assigned Certified Reserve Capacity, the level of Certified Reserve Capacity assigned to each Facility for each Reserve Capacity Cycle;

...

The following changes will change the phrase “Access Contract” to “Access Proposals” as proposed in the discussion of Issue 4.

(In Glossary)

Access Proposal Offer: Has the meaning given in clause 4.2.7(b)(ii)(1).

The following changes are to Market Rules amended in RC_2010_12 and will only come into effect if RC_2010_12 and this Rule Change Proposal are both accepted.

4.13.10 If a Market Participant that provides Reserve Capacity Security in respect of a Facility either:

- (a) operates the Facility at a level which is at least 90 percent of its Required Level, scaled to the level of Capacity Credits specified in clause ~~4.20.4(a)~~4.20.5A, in at least two Trading Intervals before the end of the relevant Capacity Year;
- (b) provides the IMO with a report under clause 4.13.10C, which specifies that at least 90 percent of the Facility has been built; and
- (c) is considered by the IMO to be in Commercial Operation,

then the IMO will return the Reserve Capacity Security to the Market Participant within 10 Business Days after the end of the relevant Capacity Year.

4.13.13 A Market Participant may apply to the IMO for the release of any Reserve Capacity Security held, earlier than the end of the relevant Capacity Year, if the Reserve Capacity Security relates to a Facility that:

- (a) has operated at 100 percent of its Required Level, scaled to the level of Capacity Credits specified in clause ~~4.20.1(a)~~4.20.5A, in at least two Trading Intervals prior to the end of the relevant Capacity Year; and
- (b) is considered by the IMO to be in Commercial Operation.

4.26.1. If a Market Participant holding Capacity Credits associated with a generation system fails to comply with its Reserve Capacity Obligations applicable to any given Trading Interval then the Market Participant must pay a refund to the IMO calculated in accordance with the following provisions.

REFUND TABLE

Dates	1 April to 1 October	1 October to 1 December	1 December to 1 February	1 February to 1 April
Business Days Off-Peak Trading Interval Rate (\$ per MW shortfall per Trading Interval)	0.25 x Y	0.25 x Y	0.5 x Y	0.75 x Y
Business Days Peak Trading Interval Rate (\$ per MW shortfall per Trading Interval)	1.5 x Y	1.5 x Y	4 x Y	6 x Y
Non-Business Days Off-Peak Trading Interval Rate (\$ per MW shortfall per Trading Interval)	0.25 x Y	0.25 x Y	0.5 x Y	0.75 x Y
Non-Business Days Peak Trading Interval Rate (\$ per MW shortfall per Trading Interval)	0.75 x Y	0.75 x Y	1.5 x Y	2 x Y
Maximum Participant Refund	The total value of the Capacity Credit payments paid or to be paid under these Market Rules to the relevant Market Participant for the 12 Trading Months commencing at the start of the Trading Day of the previous 1 October assuming the IMO acquires all of the Capacity Credits held by the Market Participant and the cost of each Capacity Credit so acquired is determined in accordance with clause 4.28.2(b), (c) and (d) (as applicable).			
Where:				
For an Intermittent Facility that:				
(a) has operated at 100 percent of its Required Level, scaled to the level of Capacity Credits specified in clause 4.20.1(a) 4.20.5A, in at least two Trading Intervals; or				



(b) has provided the IMO with a report under clause 4.13.10C, where this report specifies that 100 percent of the Facility certified under clause 4.11.2(b) has been built; and

(c) is following a request to the IMO by a Market Participant, considered by the IMO to be in Commercial Operation:

Y equals 0

For all other facilities, including Intermittent Facilities that following a request to the IMO by a Market Participant are not considered by the IMO to be in Commercial Operation: Y is determined by dividing the Monthly Reserve Capacity Price (calculated in accordance with clause 4.29.1) by the number of Trading Intervals in the relevant month.

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.