

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, lattice-structured power line tower stands prominently. The overall scene is set against a clear sky.

**Independent Market Operator**

**Rule Change Notice**  
**Title: MAC Membership**  
**Review**

**Ref: RC\_2010\_15**

**Standard Rule Change Process**

**Date: 25 May 2010**

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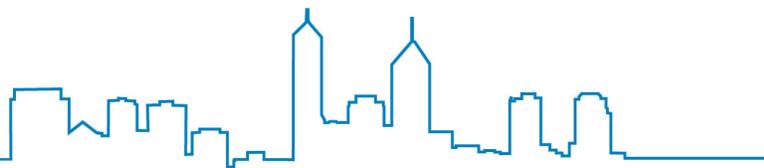
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## 1. THE RULE CHANGE PROPOSAL

### 1.1. The Submission

On 18 May 2010 Perth Energy submitted a Rule Change Proposal regarding amendments to clause 2.3.5 of 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 Independent Market Operator (IMO) to publish a notice within 7 Business Days of receiving a Rule Change Proposal.

#### 1.1.1 Submission details

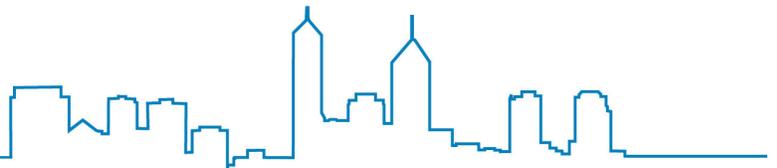
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<b>Address:</b>	77 Mill Point Road, South Perth WA 6151
<b>Date submitted:</b>	18 May 2010
<b>Urgency:</b>	3-High
<b>Change Proposal title:</b>	MAC Membership Review
<b>Market Rule(s) affected:</b>	2.3.5

### 1.2. Details of the Proposal

Perth Energy notes that clause 2.3.5 of the Market Rules sets the Market Advisory Committee (MAC)'s membership at a maximum 12 in total, with 7 places reserved for incumbent State owned entities, these being Verve Energy, Synergy, System Management, Western Power (x2) and the IMO (x2). There are only 6 places for other Market Participants, two of which must be reserved for representatives of large user and small user groups. This leaves just 4 places for private sector generators, wholesalers and retailers combined.

Perth Energy considers that an allowance of 4 places may have seemed reasonable in 2004, when the Market Rules were written in the context of a closed market, and even 2006-07, when the Wholesale Electricity Market (WEM) began. But in today's South West interconnected system (SWIS), Perth Energy considers that the limitation on and distribution of MAC membership have become inadequate, given the growth and complexity of the WEM in which the private sector holds almost \$2 billion in generation assets and trades approximately \$450 million per year through the STEM, Balancing and other segments of the market settled by the IMO including Reserve Capacity Trades, Ancillary Services etc. and retails a similar amount to contestable customers annually.

With the growth in private sector investment in the SWIS, Perth Energy considers that there is increasing investor concern over barriers to direct participation of private suppliers in the direction and implementation of Market Rule changes. This concern applies to investment in not just generation but also retail and wholesale trading operations in the SWIS, causing the holding off of capital injection into these operations to supply the growing contestable market and



improve on the efficiency of that supply. Perth Energy notes that this has direct and negative electricity price and supply quality implications for all consumers in the SWIS.

To continue encouraging private sector participation, Perth Energy considers that clause 2.3.5 of the Market Rules needs to be changed to provide for fairer and wider representation. With Verve Energy and Synergy, the State owned generator and retailer respectively, having compulsory (permanent) class membership; Perth Energy considers that the MAC membership cap should exclude Verve Energy and Synergy. Perth Energy therefore considers that total membership should be expanded by at least 2 Discretionary Class members. Perth Energy notes that this will broaden the catchment of private suppliers' representation and make it more equitable, enrich debate at MAC level and assist the IMO to better achieve the objectives of the market stated above.

### 1.3. The Proposal and the Wholesale Market Objectives

Perth Energy submits that the proposed changes would allow the Market Rules to better address Wholesale Market Objectives (a), (b), (c) and (d), by improving on the quality of debate at the MAC, encouraging competition through increased participation, and minimising the long term cost of electricity through retention of investor confidence required to facilitate investment in generation, retail and wholesale trading in the WEM.

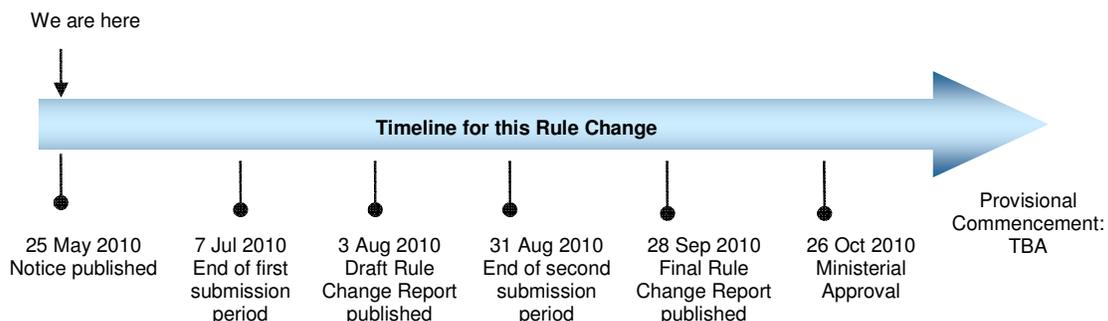
Perth Energy recommends that should the proposed amendments be adopted, the IMO should immediately appoint the additional MAC members to ensure that the urgency of the Market Rules change schedule is maintained.

## 2. WHETHER THE PROPOSAL WILL BE PROGRESSED FURTHER

The IMO has decided to proceed with this proposal on the basis that Market Participants should be given an opportunity to provide submissions as part of the rule change process.

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:



### 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 Rule Change Notice. Submissions must be delivered to the IMO by 5:00pm on **Wednesday, 7 July 2010**.

The IMO prefers to receive submissions by email to [market.development@imowa.com.au](mailto: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: Manager Market Development and System Capacity  
PO Box 7096  
Cloisters Square, Perth, WA 6850  
Fax: (08) 9254 4399

### 4. PROPOSED AMENDING RULES

Perth Energy proposes the following amendments to the Market Rules (~~deleted text~~, added text):

- 2.3.5. Subject to clause 2.3.13, the Market Advisory Committee must comprise:
- (a) ~~three~~ four members representing 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~~ four members representing 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, who must be a representative of the IMO.

### 5. ABOUT RULE CHANGE PROPOSALS

Any person (including the IMO) may make a Rule Change Proposal by completing a Rule Change Proposal Form and submitting this to the IMO (Clause 2.5.1 of the Market Rules).

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.