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## Wholesale Electricity Market Rule Change Proposal Submission Form

### RC\_2011\_02 Reassessment of Allowable Revenue during Review Period

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#### Submitted by

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#### Submission

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#### 1. Please provide your views on the proposal, including any objections or suggested revisions.

Synergy supports Rule Change Proposal RC\_2011\_02 which acts to amend the Market Rules to address a number of concerns identified by the Economic Regulation Authority (**ERA**) regarding increases to IMO and System Management Allowable Revenues during a Review Period.

Synergy agrees with the Rule Change propositions that:

- (i) under current arrangements, capital expenditures made by the IMO and System Management that involve material increases in Market Fees may or may not be subject to review by the ERA;
- (ii) the existing 15% threshold value for the increase in Allowable Revenue that acts as a trigger for the declaration of a Declared Market Project (under clause 2.22.13) and the reassessments of approved Allowable Revenue (under clauses 2.228 and 2.23.8) is too high; and
- (iii) provision does not currently exist for either the IMO or System Management to request that the ERA assess whether a budget proposal (to increase Allowable Revenue) that falls below the trigger levels in clauses 2.22.8, 2.22.13 and 2.23.8 satisfies the efficient and prudent provider test included in clauses 2.22.12(b) or 2.23.12(b).

In regard to the proposed specific changes to particular Market Rules, Synergy provides the following comments:

**(i) Proposed amended clause 2.22.8(a)**

Synergy believes adopting a lower threshold of 10% represents a good balance between triggering a mandatory assessment of budget proposals and allowing sufficient scope for the IMO and System Management to accommodate a level or degree of change in their capital/operating requirements during a Review Period not anticipated in the initially approved Allowable Revenue.

**(ii) Proposed amended clause 2.22.8(b)**

Synergy supports the concept of expressing capital expenditure adjustments under clause 2.22.7 not as depreciation and amortisation expenses but as capital expenditures for the purpose of determining if the revenue recovery exceeds 10% of the Allowable Revenue. Synergy suggests that to avoid potential duplication of effort by the ERA (as this test would apply in each year of the Review Period) the IMO may wish to consider amending the clause as follows (shown in underlined italics):

2.228(b) result in a sum of capital expenditures and recurring expenditures, not previously approved by the ERA as satisfying the requirements of clause 2.22.12(b), such that if:

**(iii) Proposed amended clause 2.22.13**

Synergy considers that its comments from points (i) and (ii) above apply to the proposed amendments to clause 2.22.13 and further suggests for the avoidance of doubt and additional clarity that the IMO may wish to consider amending the clauses as follows (shown in underlined italics):

2.22.13(b)i depreciation and amortisation expenses in the current Review Period recovering the capital expenditures of the Declared Market Project are subtracted from recurring expenses of the Declared Market Project (net recurring expenses) and

2.22.13(b)ii the capital expenditures and net recurring expenses of the Declared Market Project were to be fully recovered in the current Review Period;

**(iv) Proposed amended clause 2.22.15(b)**

As this clause essentially repeats the efficiency and prudence tests of clause 2.22.12(b), Synergy suggests the IMO may wish to consider, for the sake of brevity, referencing this new clause to clause 2.22.12(b) to reduce repetition.

**(v) Proposed amendments to clause 2.23**

Comments from the above points similarly apply to the respective proposed amendments for clause 2.23.

**(vi) Other minor comments**

Clause 2.23.13 in sub clause (c) makes an incorrect reference to 2.22.13 – the correct reference is 2.23.13.

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**2. Please provide an assessment whether the change will better facilitate the achievement of the Market Objectives.**

Synergy agrees with the ERA's view that the Rule Change Proposal will allow the Market Rules to better address Market Objectives (a) and (d).

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**3. Please indicate if the proposed change will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.**

Should this Rule Change Proposal be accepted, Synergy would not require any changes to IT or business systems, nor incur any organisational costs as a consequence of adopting the proposed change.

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**4. Please indicate the time required for your organisation to implement the change, should it be accepted as proposed.**

Should this Rule Change Proposal be accepted, Synergy would be able to implement this rule change immediately.

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