



INDEPENDENT
MARKET
OPERATOR



Final Rule Change Report: Documentation of the Long Term PASA for the 2014 Reserve Capacity Cycle (RC_2015_04)

Fast Track Rule Change Process

22 April 2015

Executive summary

The IMO annually conducts the Long Term PASA (LT PASA) to determine the Reserve Capacity Target for each year of the LT PASA Study Horizon and prepare the Electricity Statement of Opportunities Report (ESOO) for each Reserve Capacity Cycle.

On 29 April 2014, the IMO received a Ministerial Direction under regulation 39 of the IMO Regulations to defer several aspects of the certification of Reserve Capacity for the 2014 Reserve Capacity Cycle by 12 months in accordance with clause 4.1.32 of the Wholesale Electricity Market Rules (Market Rules). The 2014 Reserve Capacity Cycle relates to the procurement of capacity for the 2016/17 Capacity Year.

In light of the Ministerial Direction, the IMO decided to also defer the ESOO for the 2014 Reserve Capacity Cycle for 12 months to allow any updated demand forecasts that became available to be considered in the formal determination of the Reserve Capacity Target for the 2014 Reserve Capacity Cycle. In order to facilitate the deferral of the ESOO without any technical breaches of the Market Rules, the IMO progressed the Rule Change Proposal: Specific Transition Provisions for the 2014 Reserve Capacity Cycle (RC_2014_04)¹ which introduced clause 1.12.1 of the Market Rules to allow the IMO to publish the LT PASA and Reserve Capacity Requirement for the 2014 Reserve Capacity Cycle in the ESOO for the 2015 Reserve Capacity Cycle.

Clause 1.12.1 of the Market Rules was drafted on the basis that the ESOO for the 2015 Reserve Capacity Cycle would be published in 2015. However, on 13 March 2015, the IMO received a Ministerial Direction to defer most aspects of the 2015 Reserve Capacity Cycle, including the ESOO by 12 months.

Proposed amendments

As the timeframe for publishing the 2014 LT PASA and Reserve Capacity Requirement was only intended to be extended by 12 months, the IMO proposed to amend clause 1.12.1 of the Market Rules to allow the IMO to publish the LT PASA in the ESOO published in Year 2 of the 2014 Reserve Capacity Cycle (i.e 2015).

Consultation

The IMO tabled a pre Rule Change Proposal at the Market Advisory Committee (MAC) meeting on 18 March 2015. The IMO requested that MAC members provide any feedback or comments on the Rule Change Proposal out of session and noted that it intended to submit the Rule Change Proposal into the formal process under the Fast Track Rule Change Process shortly after. No MAC members provided feedback on the pre Rule Change Proposal.

The IMO formally submitted the Rule Change Proposal into the Fast Track Rule Change Process and published the Rule Change Notice on 23 March 2015.

The submission period was held between 24 March and 15 April 2015. No stakeholders specifically requested to be consulted in relation to the Rule Change Proposal. The IMO received submissions from Community Electricity and Perth Energy which both supported

¹ Available at: www.imowa.com.au/RC_2014_04.

the proposed amendments on the basis that they are required to implement the Ministerial Direction and allow the IMO to publish the LT PASA and Reserve Capacity Requirement for the 2014 Reserve Capacity Cycle in 2015.

Assessment against the Wholesale Market Objectives

The IMO considers that the Rule Change Proposal will better achieve Wholesale Market Objective (a) on the basis that it would ensure the effective operation of the market by allowing the IMO to publish the Reserve Capacity Target for the 2016/17 Capacity Year in the ESOO published in 2015. The IMO considers that this will provide Market Participants with sufficient and up to date information regarding the need for new capacity at the time of the certification process for the 2014 Reserve Capacity Cycle.

Practicality and cost of implementation

The IMO does not consider that there are any practical issues with respect to the implementation of the proposed changes. No Market Participants identified any issues with implementation.

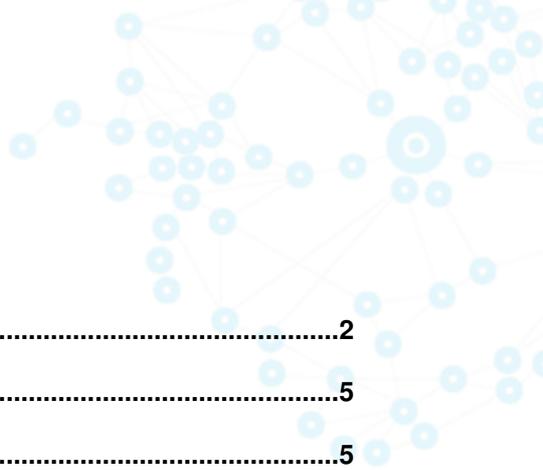
The IMO will incur minor administrative costs to facilitate the development and progression of this Rule Change Proposal. However, these costs can be accommodated within the IMO's existing budget.

The IMO's proposed decision

The IMO's proposed decision is to accept the Rule Change Proposal.

Next steps

The Amending Rules are proposed to commence on **8.00 AM on Friday 1 May 2015**.



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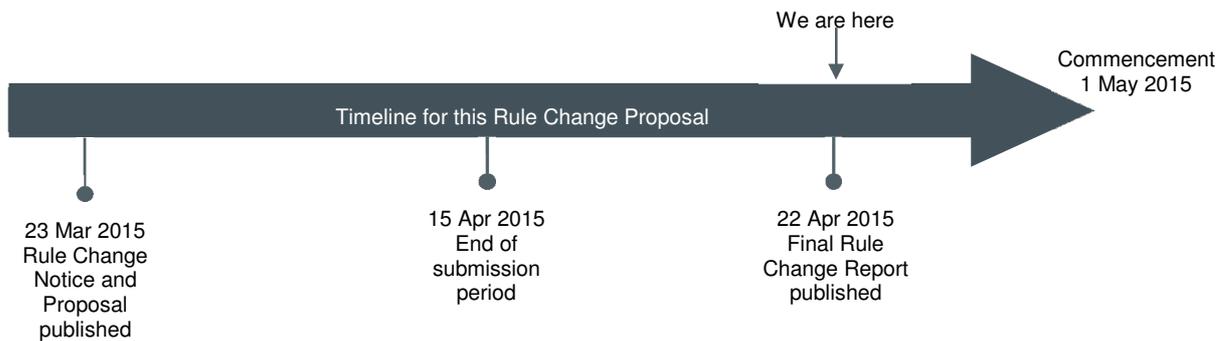
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1. Rule change process and timeline

On 23 March 2015, the IMO submitted a Rule Change Proposal regarding amendments to clause 1.12.1 of the Wholesale Electricity Market Rules (Market Rules).

This proposal is being processed using the Fast Track Rule Change Process, described in section 2.6 of the Market Rules.

The key dates in processing this Rule Change Proposal are:



2. Proposed amendments

2.1 The Rule Change Proposal

Under section 4.5 of the Market Rules, the IMO annually conducts the Long Term PASA (LT PASA) to determine the Reserve Capacity Target for each year of the LT PASA Study Horizon and prepare the Electricity Statement of Opportunities Report (ESOO) for each Reserve Capacity Cycle.

On 29 April 2014, the IMO received a Ministerial Direction under regulation 39 of the IMO Regulations to defer the processes related to the certification of Reserve Capacity, declaration of bilateral trades, assignment of Capacity Credits and Reserve Capacity Auction for the 2014 Reserve Capacity Cycle by 12 months under clause 4.1.32 of the Market Rules. In accordance with the Ministerial Direction, the IMO published a notice of extension for these aspects of the 2014 Reserve Capacity Cycle on 8 May 2014². The 2014 Reserve Capacity Cycle relates to the procurement of capacity for the 2016/17 Capacity Year.

In light of the Ministerial Direction, the IMO decided to also defer the ESOO for the 2014 Reserve Capacity Cycle to allow any updated demand forecasts that became available to be considered in the formal determination of the Reserve Capacity Target for the 2014 Reserve Capacity Cycle. Consequently, the IMO progressed the Rule Change Proposal: Specific Transition Provisions for the 2014 Reserve Capacity Cycle (RC_2014_04)³ to introduce transitional provisions in section 1.12 of the Market Rules to also defer the determination of the LT PASA and the publication of the ESOO for the 2014 Reserve Capacity Cycle by 12 months.

² Information on the amendments to the Reserve Capacity timetable for the 2014 Reserve Capacity Cycle is available at: <http://www.imowa.com.au/reserve-capacity/reserve-capacity-timetable/reserve-capacity-timetable-overview>.

³ Available at: www.imowa.com.au/RC_2014_04.

The IMO drafted the transition provision in clause 1.12.1 of the Market Rules on the basis that the IMO would publish the LT PASA in the ESOO for the 2015 Reserve Capacity Cycle, which was intended to be published in 2015. However, on 13 March 2015, the IMO received a Ministerial Direction to defer most aspects of the 2015 Reserve Capacity Cycle, including the ESOO. As the timeframe for publishing the 2014 LT PASA and Reserve Capacity Requirement was only intended to be extended by 12 months, the IMO proposes to amend clause 1.12.1 of the Market Rules to allow the IMO to publish the LT PASA in the ESOO published in Year 2 of the 2014 Reserve Capacity Cycle (i.e. 2015).

Full details of the Rule Change Proposal are available at: http://www.imowa.com.au/RC_2015_04.

2.2 The IMO's initial assessment of the Rule Change Proposal

The IMO decided to proceed with the proposal on the basis that section 4 of the Rule Change Proposal indicated that the proposed amendments would better achieve Wholesale Market Objective (a). The IMO therefore considered that Rule Participants should be given an opportunity to provide submissions on the proposal.

The IMO decided to progress this Rule Change Proposal under the Fast Track Rule Change Process on the basis that it satisfies the criteria under clauses 2.5.9(b) and (c) of the Market Rules. The IMO considered the proposed Amending Rules were urgently required and essential for the effective operation of the market and would otherwise result in a manifest error, as the IMO must publish the LT PASA and set the Reserve Capacity Requirement for the 2014 Reserve Capacity Cycle in 2015, prior to the assignment of Capacity Credits for the 2014 Reserve Capacity Cycle, which is scheduled to occur in September 2015⁴.

2.3 Protected Provisions, Reviewable Decisions and civil penalties

This Rule Change Proposal does not propose any new or amended Protected Provisions, Reviewable Decisions or civil penalty provisions.

3. Consultation

3.1 The Market Advisory Committee

The IMO tabled the pre Rule Change Proposal at the Market Advisory Committee (MAC) meeting on 18 March 2015. The IMO requested that MAC members provide any feedback or comments on the Rule Change Proposal out of session and noted that it intended to submit the Rule Change Proposal into the formal process under the Fast Track Rule Change Process shortly after. No MAC members provided feedback on the pre Rule Change Proposal.

The MAC meeting minutes are available at: <http://www.imowa.com.au/MAC>.

⁴ The timetable for the 2014 Reserve Capacity Cycle is available at: www.imowa.com.au/reserve-capacity/reserve-capacity-timetable-overview.

3.2 Submissions received during the first submission period

The first submission period was held between 24 March and 15 April 2015. No stakeholders specifically requested to be consulted in relation to the Rule Change Proposal. The IMO received submissions from Community Electricity and Perth Energy which supported the proposed amendments on the basis that they are required to implement the Ministerial Direction and allow the IMO to publish the LT PASA and Reserve Capacity Requirement for the 2014 Reserve Capacity Cycle in 2015.

A copy of the submissions received during the submission period is available at: http://www.imowa.com.au/RC_2015_04.

3.3 The IMO's response to submissions received during the submission period

No issues were raised with respect to this Rule Change Proposal.

3.4 Public forums and workshops

The IMO did not hold any public forums or workshops specifically with regard to this Rule Change Proposal.

4. The IMO's final assessment

In preparing its Final Rule Change Report, the IMO must assess the Rule Change Proposal in light of clauses 2.4.2 and 2.4.3 of the Market Rules.

Clause 2.4.2 outlines that the IMO "must not make Amending Rules unless it is satisfied that the Market Rules, as proposed to be amended or replaced, are consistent with the Wholesale Market Objectives".

Additionally, clause 2.4.3 states, when deciding whether to make Amending Rules, the IMO must have regard to the following:

- any applicable policy direction from the Minister regarding the development of the market;
- the practicality and cost of implementing the Rule Change Proposal;
- the views expressed in submissions and by the MAC; and
- any technical studies that the IMO considers necessary to assist in assessing the Rule Change Proposal.

The IMO notes that there has not been any applicable policy direction from the Minister or any technical studies commissioned in respect of this Rule Change Proposal. A summary of the views expressed during the submission period is available in section 3 of this Final Rule Change Report.

The IMO's assessment is outlined in the following sub-sections.

4.1 Additional amendments to the proposed Amending Rules

The IMO has not made any additional changes to the proposed Amending Rules contained in the Rule Change Proposal.

4.2 Assessment against the Wholesale Market Objectives

The IMO considers that the Market Rules as a whole, if amended as presented in section 6, will allow the Market Rules to better achieve Wholesale Market Objective (a) and are consistent with the remaining Wholesale Market Objectives.

(a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system

The IMO notes that the proposed amendments will allow the IMO to publish the Reserve Capacity Requirement for the 2016/17 Capacity Year in the ESOO published in 2015. This timing is consistent with the 12 month deferral of the Reserve Capacity Cycle in the Ministerial Direction received on 29 April 2014 and will provide the necessary information to Market Participants regarding the need for new capacity at the time of the certification process for the 2014 Reserve Capacity Cycle.

4.3 Practicality and cost of implementation

4.3.1 Practicality

The proposed Amending Rules will ensure that the IMO can provide the necessary information for Market Participants to make decisions about investing in new capacity at the time of the certification process for the 2014 Reserve Capacity Cycle.

The IMO does not consider that there are any practical issues with respect to the implementation of the proposed changes. No Market Participants identified any issues with implementation.

4.3.2 Cost

The IMO will incur minor administrative costs to facilitate the development and progression of this Rule Change Proposal. However, these costs can be accommodated within the IMO's existing budget.

5. The IMO's decision

The IMO's proposed decision is to accept the Rule Change Proposal as specified in the Rule Change Notice and Proposal.

5.1 Reasons for the decision

The IMO made its decision on the basis that the Amending Rules:

- would better achieve Wholesale Market Objective (a) and are consistent with the remaining Wholesale Market Objectives;

- allow the IMO to comply with the intention of the Ministerial Direction received by the IMO on 29 April 2014, while ensuring that the IMO can provide the necessary information for Market Participants to make decisions about investing in new capacity at the time of the certification process for the 2014 Reserve Capacity Cycle; and
- were supported by the two submissions received in the submission period and no stakeholders raised any specific concerns.

5.2 Proposed commencement details

The Amending Rules are proposed to commence at **8:00 AM** on **1 May 2015**.

6. Amending Rules

The IMO has decided to implement the following Amending Rules as presented in the Rule Change Proposal (~~deleted text~~, added text):

1.12. Specific Transition Provisions for the 2014 Reserve Capacity Cycle

- 1.12.1. For the purposes of clause 4.5.1, the Long Term PASA for the 2014 Reserve Capacity Cycle is deemed to be the study conducted in accordance with clause 4.5 and published under clause 4.5.11 in the Statement of Opportunities Report published in Year 2 of the 2014 ~~for the 2015~~ Reserve Capacity Cycle ~~by the date specified in clause 4.1.8.~~