

ELECTRICITY INDUSTRY ACT 2004
ELECTRICITY INDUSTRY (WHOLESALE ELECTRICITY
MARKET) REGULATIONS 2004

WHOLESALE ELECTRICITY MARKET RULES

AMENDING RULES

I, Alan Carpenter, Minister for Energy for the State of Western Australia, under regulation 6(2) of the Electricity Industry (Wholesale Electricity Market) Regulations 2004 hereby make the amending rules contained in this document.

These amending rules are to come into force on the date on which they are published in the *Government Gazette*.

ALAN CARPENTER MLA, Minister for Energy.

Dated at Perth this day 3rd of September 2005.

1. Market Rule 4.11 amended

- (1) Amend clause 4.11.4 by inserting “Certified” before “Reserve Capacity to a block of capacity”.

2. Market Rule 4.13 amended

- (1) Amend clause 4.13.4 by deleting “or where some or all of the Reserve Capacity Security has been drawn on by the IMO in accordance with these Market Rules”.
- (2) Amend clause 4.13.5(a)(ii) by deleting “letter of credit” and replacing it with “undertaking”.
- (3) Delete the existing clause 4.13.5(a)(iv) and replace it with the following—
- iv. constitutes valid and binding unsubordinated obligations to the Reserve Capacity Security provider to pay to the IMO amounts in accordance with its terms which relate to the obligations of the relevant Market Participant under the Market Rules to pay compensation under clause 4.13.11; and
- (4) Delete the existing clause 4.13.5(b) and replace it with the following—
- (b) if the IMO in its discretion considers it an acceptable alternative in the circumstances to the obligation under clause 4.13.5(a), a cash deposit (“**Security Deposit**”) made with the IMO (on terms acceptable to the IMO in its discretion) by or on behalf of the Market Participant.
- (5) Amend clause 4.13.6 by deleting “Bank Bill” and replace it with “IMO Deposit”.
- (6) Amend clause 4.13.7(a)(i) by inserting “a bank” before “under the prudential”.
- (7) Amend clause 4.13.7(c) by deleting “be” after “not”.
- (8) Amend clause 4.13.8(c)(i) by deleting “letters of credits” and replacing it with “undertakings”.
- (9) Delete the existing clause 4.13.8(c)(iii) and replace it with the following—
- iii. the application of monies drawn from Reserve Capacity Security in respect of amounts payable by the relevant Market Participant to the IMO under clause 4.13.11;
- (10) At the beginning of clause 4.13.10 delete the first word “The” and replace with “Unless clause 4.13.11 applies, the”.
- (11) Amend clause 4.13.10(a) by deleting “and” after the semi-colon.
- (12) Insert a new clause 4.13.10(b) as follows—
- (b) in respect of a new Facility that satisfies 100% of its Reserve Capacity Obligation Quantity for the Facility in at least one Trading Interval when the Reserve Capacity Obligation Quantity exceeds 0 MW occurring between the date from which Reserve Capacity Obligations apply in accordance with clause 4.1.26 and the day from which Reserve Capacity Obligations cease to apply in accordance with clause 4.1.30 in respect of the Reserve Capacity Cycle, the later of:
- (13) Amend clause 4.13.10(b)(i) by deleting “on” and replacing it with “from”.
- (14) Amend clause 4.13.10(b)(ii) by deleting “and” after the semi-colon.
- (15) Insert a new clause 4.13.10(c) and comment box as follows—
- (c) in respect of a new Facility to which none of (a), (b), or clause 4.13.11 relate, the day from which Reserve Capacity Obligations cease to apply in accordance with clause 4.1.30 in respect of the Reserve Capacity Cycle.

Clause (c) means that if a Facility covers at least 90% of its Reserve Capacity Obligation Quantity but never covers 100% of it, then it will only get its security deposit back after having completed its obligations to supply capacity.

- (16) Delete the existing clause 4.13.11 and replace it with the following—
- 4.13.11. If a Market Participant provides a Reserve Capacity Security in respect of a Facility under this clause 4.13, and the relevant Facility does not operate at a level (expressed in MWh) that is at least 90% of one-half of the Reserve Capacity Obligation Quantity for the Facility (expressed in MW), in at least one Trading Interval when the Reserve Capacity Obligation Quantity exceeds 0 MW occurring between the date from which

Reserve Capacity Obligations apply in accordance with clause 4.1.26 and the day from which Reserve Capacity Obligations cease to apply in accordance with clause 4.1.30 in respect of the Reserve Capacity Cycle, then the Market Participant must pay to the IMO, as compensation to the market, an amount equal to the Reserve Capacity Security amount, which obligation may be satisfied by the IMO drawing upon the Reserve Capacity Security, and applying the amount claimed (after meeting the IMO's costs associated with doing so) so as to:

- (17) Insert a comment box after clause 4.13.11(b) as follows—

For example, if the Reserve Capacity Obligation Quantity is 120MW then the target for clause 4.13.11 will be 90% of 60MWh, i.e. 54 MWh in at least one Trading Interval during the period to which the Reserve Capacity Obligations pertain.

The logic for this allocation is that if a shortage results from the capacity not being available, then the security deposit should be used first to fund that. Any loads holding Capacity Credits from the facility get the benefit of that facility, even though the facility does not meet its obligations, hence there is no obvious reason to pay the security deposit back to those loads. Hence, any left over funds will be allocated across all loads evenly.

- (18) Amend clause 4.13.12 by deleting “and any interest accrued” and also delete the associated comment box.

3. Market Rule 4.14 amended

- (1) Delete the existing clause 4.14.1 and replace with the following—

4.14.1. Subject to clause 4.14.3, each Market Participant holding Certified Reserve Capacity for the current Reserve Capacity Cycle must, by the date and time specified in clause 4.1.14 provide the following information to the IMO for each Facility or, in the case of Interruptible Loads, Curtailable Loads and Dispatchable Loads with at least two blocks holding Certified Reserve Capacity in different Availability Classes, for each block in respect of which it holds Certified Reserve Capacity (expressed in MW to a precision of 0.1 MW):

4. Market Rule 4.18 amended

- (1) Delete the existing clause 4.18.2(b) and replace it with the following—

(b) an offer price in units of dollars per megawatt per year expressed to a precision of \$0.01/MW between zero and the Maximum Reserve Capacity Price;

5. Market Rule 4.20 amended

- (1) Amend clause 4.20.1(e) by inserting “granted approval to trade bilaterally under clause 4.14.9 or” after “Certified Reserve Capacity of one Facility”.

6. Market Rule 4.26 amended

- (1) Amend clause 4.26.1 by inserting “applicable to any given Trading Interval” after “Reserve Capacity Obligations”.

- (2) Delete the existing comment box following clause 4.26.1 and replace it with the following—

These refunds can be thought of as a “buy back” requirement whereby the provider of Reserve Capacity buys it back for the period it is not available under a pricing arrangement specified prior to entering into the arrangement. The rules of this section are based on the aggregate quantities provided by participants, not the individual facilities. This is done to avoid problems stemming from the fact that Western Power generators will not be individually metered.

Note that refunds are based on the number of capacity credits held during the applicable Trading Interval where this number may be adjusted from time to time (e.g. under clauses 4.25.4 and 4.25.6).

Note that the section on Reserve Capacity obligations includes a process for converting MWh meter data into equivalent MW quantities counted towards covering the obligations.

7. Appendix 3 amended

- (1) Delete the first bullet point titled “offers” after the table under Amend Appendix 3 and replace with the following—

- “offers”
 - o For the testing of bilateral trades the “offer” is a proposed bilateral transaction (as specified in clause 4.14.1 for each Facility or block).
 - o For an auction an “offer” is a “Reserve Capacity Offer”.

- (2) Immediately prior to the first comment box in Appendix 3 delete the existing text below—

“Y[a] represents the amount by which (X[a] + Y[a-1]) exceeds Q[a], with the exception that Y[5] = 0 and Y[1] = 0.”

and replace it with the following—

“Y[a] represents the amount by which (X[a] + Y[a-1]) exceeds Q[a], with the exception that Y[0] = 0.”

- (3) Insert a new Step 2A, immediately after Step 2, as follows—

Step 2A: In the case of bilateral trade offers, accept offers from operating facilities and facilities under construction and remove them from the set of active offers.

- (4) Delete the existing paragraph and bullet point under Step 3—
 “Where two or more offers are tied with respect to the selection criteria such that accepting all but one of them would result in the total capacity selected exceeding the total capacity requirement across all Availability Classes then the tied offers are to be accepted according to the following rules until the tie is resolved.
- Operating facilities and facilities under construction are to be accepted ahead of facilities that are yet to commence construction; then”
- and replace with the following—
 “Where two or more offers are tied with respect to the selection criteria such that accepting all but one of them would result in the total capacity selected exceeding the total capacity requirement of the Availability Class then the tied offers are to be accepted according to the following rules until the tie is resolved.
- In the case of the reserve capacity auction, offers from operating facilities and facilities under construction are to be accepted ahead of facilities that are yet to commence construction; then”
- (5) Under Step 6 delete “go to Step 9” and replace it with “go to Step 8A”.
- (6) Under Step 8 delete “Return to Step 3” and replace it with “Return to Step 2A”.
- (7) Insert a new Step 8A, immediately after Step 8, as follows—
 Step 8A: In the case of the auction only—
- The Reserve Capacity Price must equal the price of the highest priced offer accepted; and
 - In the special case where the Reserve Capacity Price is zero and there are offers with a price of zero that have not been accepted, then accept those offers with zero price.
- (8) Amend Appendix 3 by deleting the existing Step 11 and all subsequent text in Appendix 3 and replacing it with the following—
 Step 11: End.
 In the case of the auction only—
- While leaving the Reserve Capacity Price unchanged, the IMO must exchange one or more offers not accepted for one or more offers accepted in the auction if
 - o the total capacity scheduled in the auction exceeds the Reserve Capacity Auction Requirement by more than 100 MW;
 - o the Reserve Capacity Price exceeds zero,
 - o the exchange produces the maximum possible reduction in the total value of offers accepted;
 - o the exchange does not create an overall Reserve Capacity shortfall where none existed;
 - o in the event that a capacity shortfall exists in one or more Availability Classes, the exchange will not shift a shortfall from an Availability Class with low availability to an Availability Class with high availability; and
- The previous clause ensures that were we to have a shortage in Availability Class n we do not resolve that shortage by creating a shortage in Availability Class n-1, as this would make the impact of the shortage worse.
- o this would not result in an existing facility, or a facility under construction being excluded.

8. Glossary amended

- (1) The Glossary is amended by inserting a new definition in its appropriate alphabetical order as follows—
- IMO Deposit Rate:** A rate equal to the rate received by the IMO for the Security Deposit. (The IMO must use reasonable endeavours to obtain a rate which reflects reasonable commercial terms as regards to other deposit rates available at the time.)
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