
Wholesale Electricity Market – Procedure Change Proposal

Procedure Change No: PC_2008_06

Change requested by

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Procedure change title:	Market Procedure for Determination of the Maximum Reserve Capacity Price
Market Procedure(s) affected:	Determination of the Maximum Reserve Capacity Price

Introduction

The IMO or System Management, as applicable, may initiate the Procedure Change Process by developing a Procedure Change Proposal. Rule Participants may notify the IMO or System Management, as applicable, where they consider an amendment or replacement of a Market Procedure would be appropriate.

If an Amending Rule requires the IMO or System Management to develop new Market Procedures or to amend or replace existing Market Procedures, then the IMO or System Management, as applicable, is responsible for the development, amendment, or replacement of Market Procedures so as to comply with the Amending Rule.

Market Procedures:

- (a) must:
 - i. be developed, amended or replaced in accordance with the process in the Market Rules;
 - ii. be consistent with the Wholesale Market Objectives; and
 - iii. be consistent with the Market Rules, the Electricity Industry Act and Regulations; and

- (b) may be amended or replaced in accordance with clause 2.10 and must be amended or replaced in accordance with clause 2.10 where a change is required to maintain consistency with Amending Rules.

The Wholesale 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.

Details of Procedure Change Requested

1. Provide a reason for the proposed new, amended or replacement Market Procedure:

In February 2008, the IMO submitted a Rule Change Proposal regarding changes to a range of clauses in respect of the determination of the Maximum Reserve Capacity Price. As a result, changes were made to clauses 2.26.1, 2.26.3, 2.26.4, 4.1.19, 4.16.3, 4.16.4, 4.16.5, 4.16.7, 4.16.8, 4.16.9, 4.22.3 and Appendix 4 of the Wholesale Electricity Market Rules on 8 July 2008.

The Market Rule changes followed extensive industry consultation and review as part of an Advisory Group. The outcomes of the review, which have been presented in a discussion paper, are available on the IMO website, are summarised below. The Advisory Group proposed that:

- Power station costs should be determined each year with the assistance of a suitable consultant;
- Land purchase costs should be included as part of the Maximum Reserve Capacity Price;
- A transmission connection scenario should be well defined and ideally should be costed by Western Power;
- The K Factor should be removed and the clauses regarding Long Term Special Price Arrangements be amended.

To implement the above changes, the Advisory Group proposed that the detail that exists in the current Market Rules be replaced with general provisions for the determination and review of the Maximum Reserve Capacity Price. Detail on the determination process will then be provided in a new Market Procedure, which will undergo structural review at least once every five years. The new Market Procedure will detail the processes and mechanisms by which the IMO should determine the Maximum Reserve Capacity Price each year and the major review to be conducted at least every five years.

The proposed procedure has been assessed by the IMO Market Procedure Development Group, a group of Industry Representatives set up by the Market Advisory Committee to assist the IMO in developing Market Procedures.

2. Provide the wording of the new or amended Procedure

The proposed new Market Procedure for Determination of the Maximum Reserve Capacity Price is provided as an attachment to this proposal.
