



Agenda item 5g:

Wholesale Electricity Market Pre Market Rule Change Discussion Paper

Submitted by

Name:	Alistair Butcher
Phone:	9427 5787
Fax:	9427 4228
Email:	Alistair.Butcher@westernpower.com.au
Organisation:	System Management
Address:	
Date submitted:	24 February 2010
Urgency:	Standard Rule Change Process
Change Proposal title:	Implications of the withdrawal of a rule change proposal
Market Rule(s) affected:	2.5

Introduction

This Pre Market Rule Change Discussion Paper can be posted, faxed or emailed to:

Independent Market Operator

Attn: Troy Forward, Manager Market Development & System Capacity
PO Box 7096
Cloisters Square, Perth, WA 6850

Fax: (08) 9254 4399

Email: market.development@imowa.com.au

The discussion paper should explain how it will enable the Market Rules to better contribute to the achievement of the wholesale electricity market objectives. The objectives of the market 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 the proposed Market Rule Change

1) Describe the concern with the existing Market Rules that is to be addressed by the proposed Market Rule change:

System Management understands the IMO applies an interpretation of the Market Rules that once a rule change process is commenced, that process must continue until the conclusion of the process with the issuing of a Final Rule Change Report. Currently, withdrawal of a rule change proposal by the party who submits that change proposal does not cease the change process.

Whilst an alternative interpretation of the common law supports the position that a withdrawal of a rule change proposal at any time prior to the publication of the IMO's Final Rule Change Report serves to cease the rule change process, it is better for all participants that certainty exists concerning the implications of withdrawal of a rule change proposal.

It is System Management's position that the IMO should only have jurisdiction to consider a rule change proposal so long as that proposal has not been withdrawn by the proponent.

It is not considered advantageous to lock participants into a rule change process where the direction may have changed considerably since the original proposal and the outcome may be one which wasn't originally intended. A counter-view could be advanced that it is inefficient for a proponent to withdraw a rule change proposal once public consultation is already underway. However, offsetting this is that there is nothing preventing any other person from making a new Rule Change Proposal containing an identical amendment. The delay caused by restarting the rule change process is preferable to locking a participant (and the IMO) into completing a rule change process that a proponent no longer views as acceptable.

System Management contends that the purpose of the rule change framework is to encourage Participants to develop the Market Rules. If a Participant believes that a rule change proposal, once made, causes a process to be embarked upon that cannot be discontinued, participants will be more reluctant to submit a rule change proposal. In addition, continuing with the position that a rule change process must continue even after withdrawal appears to lead to a highly unusual outcome, in the case of a rule change proposal arising from a ministerial policy direction. Successive changes in ministerial policy will not, of themselves, allow the rule change process to conclude without a decision by the IMO at the Final Report stage.

For the reasons above, System Management considers it prudent to include a provision in the Market Rules making clear that a proponent's withdrawal of a rule change proposal, at any time

prior to the publication of a Final Rule Change Report, has the effect of discontinuing the rule change process.

2) Explain the reason for the degree of urgency:

System Management submits that this rule change proposal proceed under the Standard rule change process.

3) Provide any proposed specific changes to particular Rules (for clarity, please use the current wording of the Rules and place a ~~strikethrough~~ where words are deleted and underline words added)

2.5.1A A person who makes a Rule Change Proposal may withdraw that Rule Change Proposal at any time prior to the publication of a Final Rule Change Report pursuant to clauses 2.6.4 or 2.7.8 and the rule change process set out in clauses 2.6 or 2.7 ceases from the time the intention to withdraw the Rule Change Proposal is communicated to the IMO.

4) Describe how the proposed Market Rule change would allow the Market Rules to better address the Wholesale Market Objectives:

This proposed Rule change would better address objective (a) of the Market Objectives.

The Market Rules govern the market and the operation of the South West interconnected system. Participants are less likely to propose a rule change if they cannot discontinue a change process when they perceive a sub-optimal outcome may arise. The risk of participants being unwilling to propose rule changes may act as a disincentive to achieve economically efficient outcomes.

In addition, System Management notes that allowing participants to discontinue a Rule Change process at any time prior to the publication of a Final Rule Change Report will give Participants greater confidence in the control they can exert on the direction of their rule change proposal.

5) Provide any identifiable costs and benefits of the change:

Benefits:

- Clarity that a withdrawal of a rule change proposal ceases the rule change process.
- Greater willingness of participants to submit rule change proposals.

Costs:

- No costs have been identified.

