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## Wholesale Electricity Market – Procedure Change Proposal

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Procedure Change No: PC\_2008\_08

### Change requested by

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<b>Date submitted:</b>	1 August 2008
<b>Procedure change title:</b>	Amendments to the Market Procedure for Prudential Requirements
<b>Market Procedure(s) affected:</b>	Market Procedure for Prudential Requirements

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### 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.

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## **Details of Procedure Change Requested**

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

The current Market Procedure for Prudential Requirements was developed before the start of energy trade in the Wholesale Electricity Market in September 2006. Practical experience after market start has since revealed that the procedure needs to be amended in order to accurately describe the processes the IMO and Rule Participants have to follow in regard to setting Credit Limits, provision of Credit Support, monitoring prudential exposure and the default processes.

The proposed amendments will enable the procedure to be better aligned with the requirements of the Market Rules and with the functionality of the Wholesale Electricity Market Systems.

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### **2. Provide the wording of the new or amended Procedure (*as applicable*)**

The proposed amendments to the current Market Procedure for Prudential Requirements are provided as an attachment to this proposal.

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