



## **Procedure Change Report**

### **Title: Amendments to the Market Procedure for Prudential Requirements**

Ref: PC\_2008\_08

Date: 13 October 2008

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## DOCUMENT DETAILS

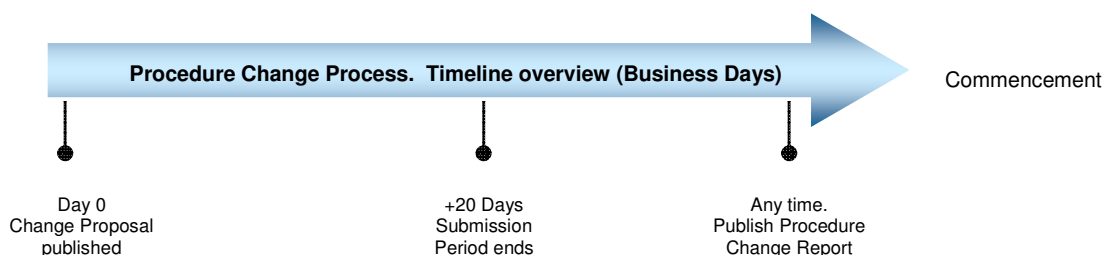
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## Independent Market Operator

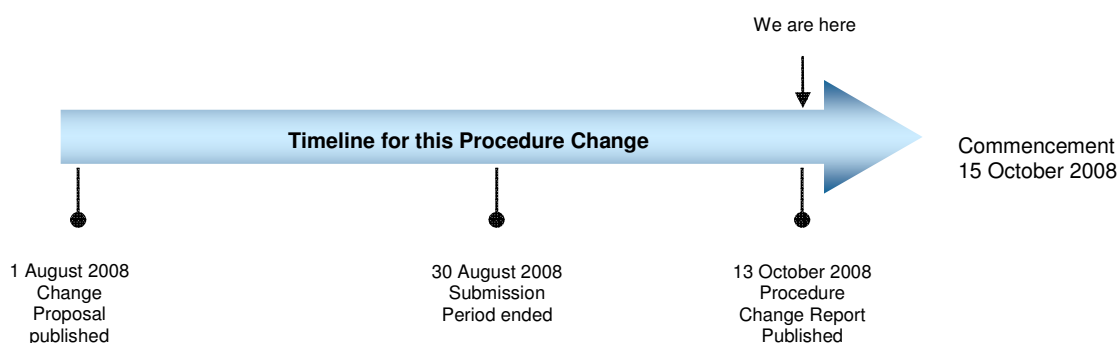
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## INTRODUCTION

On 1 August 2008, the IMO published a Procedure Change Proposal titled Amendments to the Market Procedure for Reserve Capacity Performance Monitoring. The proposal has been processed according to the Procedure Change Process under section 2.10 of the Wholesale Electricity Market Rules (Market Rules). This process adheres to the following timelines:



The key dates in processing this Procedure Change Proposal are:



This Procedure Change Report is published by the IMO in accordance with clause 2.10.12 of the Market Rules

## THE PROPOSED 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 procedure was proposed to be amended so as to better align with the requirements of the Market Rules and with the functionality of the Wholesale Electricity Market Systems.

## THE WORDING OF THE PROPOSED PROCEDURE

The wording of the procedure, as proposed by the IMO, is available on the IMO's web site:

[http://www.imowa.com.au/Attachments/MarketProcedures/ProcedureChange\\_2008\\_08.htm](http://www.imowa.com.au/Attachments/MarketProcedures/ProcedureChange_2008_08.htm)

## SUBMISSIONS RECEIVED

The IMO did not receive any submissions during the public submission period. Consequently, the IMO has concluded that Participants support the proposed amendments to the Market Procedure for Reserve Prudential Requirements.

## THE MARKET ADVISORY COMMITTEE

The proposed procedure amendment was of an administrative nature and, as requested by the Market Advisory Committee at its meeting 14 May 2008, was submitted directly into the public consultation process and was not discussed by the IMO Market Procedure Development Group.

## THE PROPOSAL AND THE WHOLESALE MARKET OBJECTIVES

The amendments will enable the procedure to be better aligned with the requirements of the Market Rules. The IMO considers that the amended procedure will have the following impact on the market objectives:

Impact	Wholesale Market Objectives
Allow the Market Rules to better address objective	
Consistent with objective	a, b, c, d and e
Inconsistent with objective	

## THE IMO'S DECISION

No party expressed any concerns regarding the proposed new Market Procedure for Determination of Prudential Requirements. The IMO therefore finds it appropriate to adopt the procedure as proposed in its Procedure Change Proposal.

The amended procedure is published on the IMO's website, together with this Procedure Change Report.

## COMMENCEMENT

The procedure is of an administrative nature and will not require Rule Participants or the IMO to implement any procedural or system amendments before it can commence.

The Market Procedure for Determination of Prudential Requirements will commence at 08.00am on 15 October 2008.

## GENERAL ABOUT PROCEDURES AND PROCEDURE CHANGES

Clause 2.9.3 of the Market Rules states that Market Procedures:

- (a) must be:
  - i. developed, amended or replaced in accordance with the process in the Market Rules;
  - ii. consistent with the Wholesale Market Objectives; and
  - iii. consistent with these Market Rules, the Electricity Industry Act and Regulations; and
- (b) may be amended or replaced in accordance with clause 2.10 of the Market Rules and must be amended or replaced in accordance with clause 2.10 where a change is required to maintain consistency with Amending Rules.

The IMO or System Management, as applicable, may initiate a 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 Amending Rules require 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 of amendments to or replacement for Market Procedures so as to comply with the Amending Rules.