



Independent Market Operator

Procedure Change Report

**Title: Market Procedure for
Determination of Maximum
Reserve Capacity Price**

Ref: PC_2008_14

Date: 3 December 2008

CONTENTS

INTRODUCTION	3
THE PROPOSED AMENDMENTS TO THE PROCEDURE.....	3
THE WORDING OF THE AMENDED PROCEDURE	4
SUBMISSIONS RECEIVED	4
THE MARKET ADVISORY COMMITTEE.....	4
THE PROPOSAL AND THE WHOLESALE MARKET OBJECTIVES.....	4
THE IMO'S DECISION	4
COMMENCEMENT	5
GENERAL ABOUT PROCEDURES AND PROCEDURE CHANGES	5

DOCUMENT DETAILS

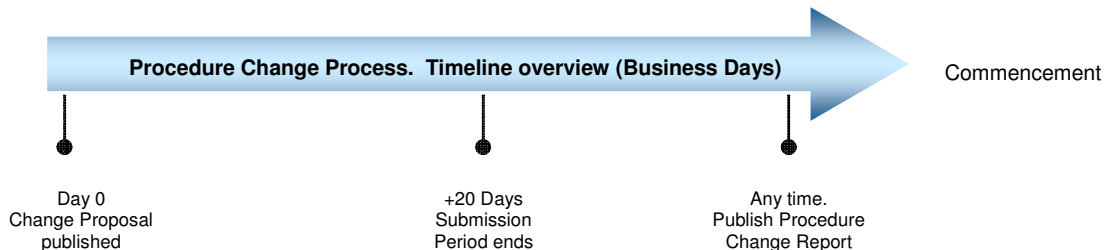
IMO Notice No.: PC_2008_14
Report Title: Procedure Change Report: Market Procedure for Determination of
Maximum Reserve Capacity Price
Release Status: Public
Confidentiality Status: Public domain
Published in accordance with Market Rule 2.10.12

Independent Market Operator

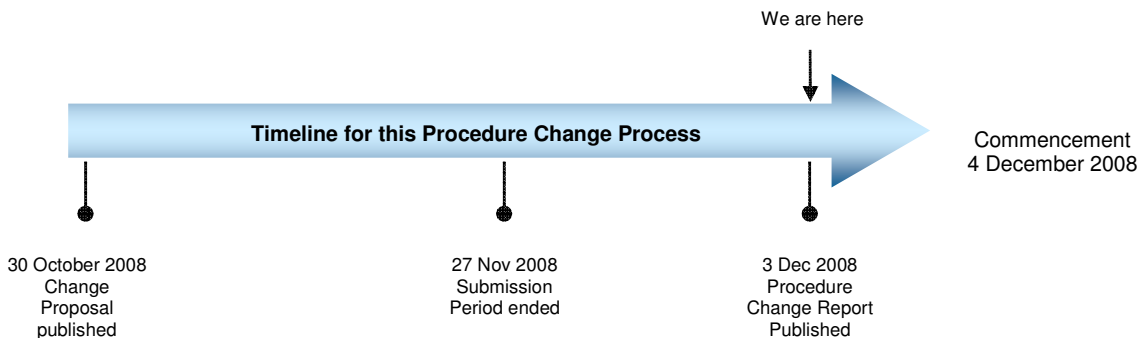
Level 3, Governor Stirling Tower
197 St George's Terrace, Perth WA 6000
PO Box 7096, Cloisters Square, Perth WA 6850
Tel. (08) 9254 4300
Fax. (08) 9254 4399
Email: imo@imowa.com.au
Website: www.imowa.com.au

INTRODUCTION

On 30 October 2008, the Independent Market Operator (IMO) published a Procedure Change Proposal for the Determination of Maximum Reserve Capacity Price Market Procedure. This has been processed according to the Procedure Change Process under section 2.10 of the Wholesale Electricity Market Rules (Market Rules) and 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 AMENDMENTS TO THE PROCEDURE

The IMO proposed to update the current Market Procedure for Determination of Maximum Reserve Capacity Price to correct a typographical error in the equation for the nominal return on debt in the Weighted Average Cost of Capital Calculation. The consequence of the error in the original formula was to calculate incorrect values for the Weighted Average Cost of Capital.

The proposed amendment will ensure that the correct cost of capital be applied in the calculation of the Maximum Reserve Capacity Price. The Maximum Reserve Capacity Price sets the maximum offer price that can be submitted in a Reserve Capacity Auction and is used as the basis to determine an administered Reserve Capacity Price if no auction is required.

THE WORDING OF THE AMENDED PROCEDURE

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

http://www.imowa.com.au/Attachments/MarketProcedures/PC_2008_14_Amended_Procedure_MRCP.pdf

SUBMISSIONS RECEIVED

The public submission period was between 31 October and 27 November 2008. The IMO did not receive any submissions. Consequently, the IMO has concluded that Market Participants support the proposed amendments to the Market Procedure for the Determination of Maximum Reserve Capacity Price.

THE MARKET ADVISORY COMMITTEE

The proposed amendment to the procedure 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 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 amended procedure for the Determination of Maximum Reserve Capacity Price. The IMO has therefore decided to adopt the amended 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 amended procedure for Determination of Maximum Reserve Capacity Price will commence at 08.00am on 4 December 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.