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## Wholesale Electricity Market – Procedure Change Proposal

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Procedure Change No: PC\_2008\_14

### Change requested by

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<b>Date submitted:</b>	23 October 2008
<b>Procedure change title:</b>	Market Procedure for Determination of Maximum Reserve Capacity Price
<b>Market Procedure(s) affected:</b>	Determination of Maximum Reserve Capacity Price

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

The proposed amendment will ensure the correct cost of capital will 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.

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### **2. Provide the wording of the Procedure**

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