

ELECTRICITY INDUSTRY ACT 2004

*ELECTRICITY INDUSTRY (WHOLESALE ELECTRICITY
MARKET) REGULATIONS 2004*

WHOLESALE ELECTRICITY MARKET RULES

Market Procedure for: Capacity Credit Allocation

Commencement: This Market Procedure is to have effect from 8:00am (WST) on the same date as the Wholesale Electricity Market Rule, in which this procedure is made in accordance with, commences.

Market Procedures Published by the Minister

I, FRANCIS LOGAN, Minister for Energy for the State of Western Australia, under regulation 9(2) of the *Electricity Industry (Wholesale Electricity Market) Regulations 2004* hereby approve the publication of the Capacity Credit Allocation Procedure contained in this document.

This Market Procedure is to have effect from 8:00am (WST) on the same date as the Wholesale Electricity Market Rule, in which this procedure is made in accordance with, commences.

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Dated at Perth this day of2006.

1. Capacity Credit Allocation Procedure

The Capacity Credit Allocation Procedure covers the process by which a Market Participant may make a Capacity Credit Allocation Submission, including the information that is required to be provided.

This procedure is made in accordance with Market Rule 9.4.3.

1.1 Interpretation

In this procedure, unless the contrary intention is expressed:

- (a) terms used in this procedure have the same meaning as those given in the Wholesale Electricity Market Rules (made pursuant to the Electricity Industry (Wholesale Electricity Market) Regulations 2004);
- (b) to the extent that this procedure is contrary or inconsistent with the Market Rules, the Market Rules shall prevail to the extent of the inconsistency;
- (c) a reference to the Market Rules or Market Procedures includes any associated forms required or contemplated by the Market Rules or Market Procedures; and
- (d) words expressed in the singular include the plural or vice versa.

1.2 Purpose

The purpose of this procedure is:

- to describe the steps that a Market Participant wishing to transfer Capacity Credits is required to complete to make a submission to allocate those Capacity Credits.
- to describe the information that is required to be provided to the IMO i to make a Capacity Credit allocation submission; and
- to outline the circumstances in which the IMO will accept Capacity Credit Allocation Submissions.

1.3 Application

This procedure applies to the IMO and to Market Participants holding Capacity Credits.

1.4 Overview of Capacity Credit Allocation

Market Customers are required to either hold sufficient Capacity Credits or make payment for any shortfall through the settlement process.

Market Rule 9.4.1 allows a Market Participant holding Capacity Credits to make a single Capacity Credit Allocation Submission applicable for a full trading month.

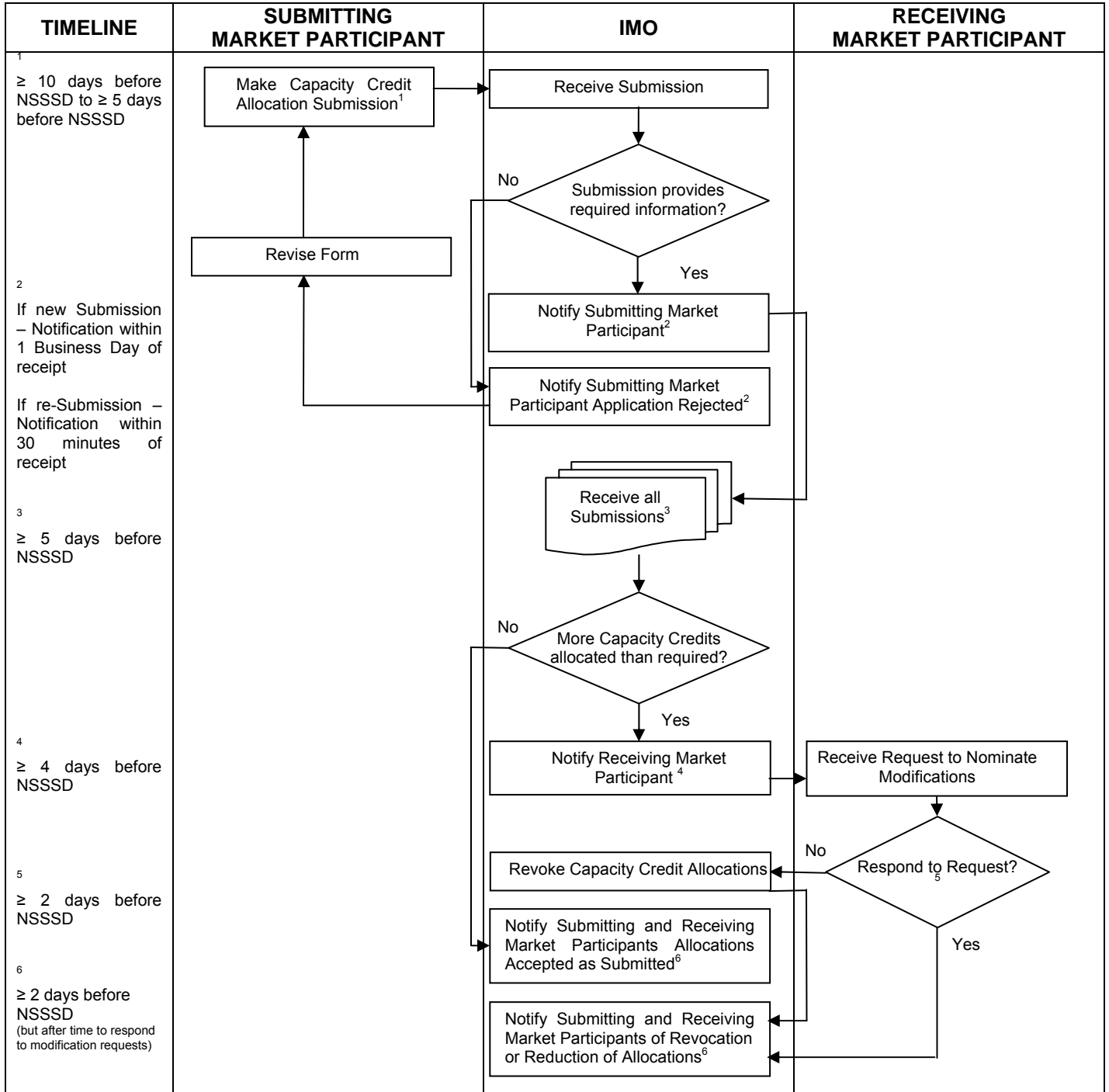
The earliest date and time, and the latest date and time, in which a Capacity Credit Allocation Submission may be made for a calendar month, is published by the IMO as part of its Settlement Cycle Timeline. The timeline also provides for the time and date by which the IMO must contact Market Participants to request modifications, the time and date for the Market Participant to respond to the request for modifications, and the time and date for the IMO to notify Market Participants of the accepted allocations.

This timeline is published on the IMO website (www.imowa.com.au) at least one calendar month prior to the commencement of each financial year, in accordance with Market Rule 9.16.2. For the first financial year of energy market operation, the IMO must publish the timeline one month prior to energy market commencement.

Exhibit 1-1 provides a summary of the interaction between the procedure steps to be followed by each Market Participant and the IMO. For the purpose of Exhibit 1-1:

- NSSSD refers to the Non-STEM Settlement Statement Date, in accordance with Market Rule 9.16.2(c); and
- A reference to days means Business Days.

Exhibit 1-1 – Summary of Interaction



1.5 Procedure Steps to be followed by a Market Participant submitting a Capacity Credit Allocation Submission (“Submitting Market Participant”)

- 1 A Capacity Credit Allocation Submission is completed using the Wholesale Electricity Market System (“WEMS”).
- 2 A Capacity Credit Allocation is made through the WEMS by completing the required fields on the Reserve Capacity Credits Allocation Display. Through the Reserve Capacity Credits Allocation Display, Submitting Market Participants are able to query, submit and cancel data submissions. For a more detailed description of the steps for completing a Capacity Credit Allocation on the WEMS, Submitting Market Participants should refer to the Market Participant Interface Software User Guide (“User Guide”) available on the IMO website (www.imowa.com.au).
- 3 A Submitting Market Participant should ensure that all fields for the Reserve Capacity Credits Allocation are completed, as Market Rule 9.4.3 requires a Capacity Credit Allocation Submission to include all the information specified in Market Rule 9.5.1 and outlined in Section 1.8 of this procedure.
- 4 A Submitting Market Participant should be aware that, when submitting a Capacity Credit Allocation, it acknowledges that:
 - (a) it is acting with the permission of all affected Market Participants; and
 - (b) the IMO has the right to reverse any Capacity Credit Allocations if any affected Market Participant, other than the Submitting Market Participant, objects to the allocation prior to the deadline for disputes in relation to Non-STEM Settlement Statements. (Market Rule 9.4.4)
- 5 A Submitting Market Participant should receive an electronic confirmation after making a Capacity Credit Allocation Submission.
- 6 Capacity Credit Allocation Submissions can be cancelled and/or resubmitted prior to the deadline outlined in Step 7.
- 7 All Capacity Credit Allocation Submissions must be made by the deadline set out in the Settlement Cycle Timeline published on the IMO website (www.imowa.com.au), in accordance with Market Rule 9.16.2(b)(ii). A Submitting Market Participant should ensure that this is done at least two Business Days prior to the deadline, to ensure that

any requirement to resubmit or to remedy defects in the submission can be met prior to the deadline.

- 8 If a Submitting Market Participant has not received confirmation of their Capacity Credit Allocation Submission within one Business Day, the applicant must arrange with the IMO to resubmit the Capacity Credit Allocation, by mutually agreed means. The resubmitted Capacity Credit Allocation must be provided by the submission deadline set out in the Settlement Cycle Timeline published on the IMO website (www.imowa.com.au), in accordance with Market Rule 9.16.2(b)(ii). (Market Rule 9.4.6)
- 9 If a Submitting Market Participant is notified that its submission is rejected, the Submitting Market Participant must arrange with the IMO to provide a valid Capacity Credit Allocation Submission, by mutually agreed means. The valid Capacity Credit Allocation must be made by the submission deadline set out in the Settlement Cycle Timeline published on IMO website (www.imowa.com.au), in accordance with Market Rule 9.16.2(b)(ii). (Market Rule 9.4.6)

1.6 Procedure Steps to be followed by the Market Participant nominated to receive Capacity Credits (“Receiving Market Participant”)

- 1 A Receiving Market Participant is required to make a Capacity Credit Confirmation Allocation Submission through the Reserve Capacity Credits Confirm Allocation Display on the WEMS. For a more detailed description of the steps for completing a Capacity Credit Confirmation Allocation Submission on the WEMS, Receiving Market Participants should refer to the Market Participant Interface Software User Guide (“User Guide”) available on the IMO website (www.imowa.com.au).
- 2 Where a Receiving Market Participant’s total allocation of Capacity Credits exceeds its Individual Reserve Capacity Requirement, the Receiving Market Participant must detail in the Capacity Credit Confirmation Allocation which Capacity Credits are to be reduced.
- 3 The Capacity Credit Confirmation Allocation Submission must be made by the deadline set out in the Settlement Cycle Timeline published on the IMO website (www.imowa.com.au), in accordance with Market Rule 9.16.2(b) iv). (Market Rule 9.4.11) Failure to do this will result in the revocation of all Capacity Credit Allocation Submissions to the extent that they allocate Capacity Credits to the Receiving Market Participant. (Market Rule 9.4.12)

1.7 Procedure steps to be followed by the IMO

1 **Receipt of Submission Form** – The IMO will review Capacity Credit Allocation Submissions through the WEMS to ensure:

- (a) the Submitting Market Participant has provided all the required information, specified in Market Rule 9.5.1 and outlined in Section 1.8 below; and
- (b) the Submission is consistent with the requirements of Market Rule 9.5:
 - The total number of capacity credits allocated in Set 1 (see Section 1.8, Step 3 below) must not exceed the total quantity of Capacity Credits covered by Special Price Arrangements (see Market Rule 4.29.3(d)(iii)) less the quantity of Capacity Credits acquired by the IMO covered by a Special Price Arrangement (see Market Rule 4.29.3(d)(ii)).

The only Capacity Credits covered by Special Price Arrangement that may be traded bilaterally are the total number of Capacity Credits that are covered by Special Price Arrangements resulting from auctions in previous Reserve Capacity Cycles.

- The total number of capacity credits allocated in Set 2 (see Section 1.8, Step 3 below) does not exceed the quantity of Capacity Credits allowed to be traded bilaterally in Market Rule 4.14.9 that are not covered by Special Price Arrangements (see Market Rule 4.29.3(d)(iv)). (Market Rule 9.5.3)
- 2 **Rejection of Submission Form** - If a Capacity Credit Allocation Submission is not consistent with requirements of Market Rule 9.5 the IMO, through WEMS, will reject it and provide reasons for rejecting the submission as appropriate. (Market Rules 9.4.8 and 9.4.5)
- 3 **Notification to Submitting Market Participant** - The IMO is required to notify the Submitting Market Participant, in accordance with the following:
- New Submissions - Within one Business Day of receipt of the Capacity Credit Allocation the IMO will notify, through the WEMS, a Submitting Market Participant:
 - that the Capacity Credit Allocation has been received; and
 - whether the Capacity Credit Allocation has been rejected, including the reasons for any rejection (as appropriate). (Market Rule 9.4.5).

- Re-Submissions - Within 30 minutes of receipt of a Capacity Credit Allocation Submission, as outlined in Section 1.5, Step 8 or 9 above, the IMO must, by telephone, notify a Submitting Market Participant:
 - that the Capacity Credit Allocation has been received; and
 - whether the Capacity Credit Allocation has been rejected, including the reasons for any rejection (as appropriate). (Market Rule 9.4.7)
- 4 **Assessment of Capacity Credit Allocations** - On receipt of all Capacity Credit Allocation Submissions the IMO, through WEMS, will identify each Market Participant that has more Capacity Credits allocated to it than is required to cover its Individual Reserve Capacity Requirement. The Individual Reserve Capacity Requirement for each Market Participant is determined in accordance with Market Rule 4.28.7 and, if applicable, revised in accordance with Market Rule 4.28.11.
 - 5 **Nominating Modifications** – In making a Capacity Credit Confirmation Allocation Submission through the WEMS, a Receiving Market Participants is notified if it has more Capacity Credits allocated to it than required to cover its Individual Reserve Capacity Requirement. A Receiving Market Participant will be required to detail in its Capacity Credit Confirmation Allocation which Capacity Credits are to be reduced. The Receiving Market Participant will be notified by the deadline set out in the Settlement Cycle Timeline published on IMO website (www.imowa.com.au), in accordance with Market Rule 9.16.2(b)(iii). (Market Rule 9.4.10)
 - 6 **Acceptance of Capacity Credit Allocations** – Where the IMO has accepted the Capacity Credit Allocations, as submitted by the Submitting Market Participant, the IMO will notify each Submitting and Receiving Market Participant, through the WEMS, that the allocations have been accepted as submitted. The notification will be given by the deadline outlined in the Settlement Cycle Timeline published on the IMO website (www.imowa.com.au), in accordance with Market Rule 9.16.2(b)(v).
 - 7 **Reduction of Capacity Credit Allocations** – Where the IMO has notified a Receiving Market Participant that its total allocation of Capacity Credits exceeds its Individual Reserve Capacity Requirement, and the Receiving Market Participant has detailed in its Capacity Credit Confirmation Allocation which Capacity Credits are to be reduced, the IMO will provide the following information through the WEMS:
 - the reduction in Capacity Credit allocations made in accordance with its Capacity Credit Confirmation Allocation;

- the revocation of any Capacity Credit allocations due to the IMO not receiving details of which Capacity Credits are to be reduced. (Market Rule 9.4.13)

This must be done by the deadline outlined in the Settlement Cycle Timeline published on the IMO website (www.imowa.com.au), in accordance with Market Rule 9.16.2(b)(v).

1.8 Information to be Included in the Capacity Credit Allocation Submission

The following information is required to be included in a Capacity Credit Allocation Submission. (Market Rule 9.5.1)

- 1 Identity of the Submitting Market Participant** – Must be the holder of Capacity Credits
- 2 Identity of each Market Participant to which Capacity Credits to be Allocated** – May include the Submitting Market Participant
- 3 Number of Capacity Credits to be allocated to each Market Participant** – This is broken down into two sets.
 - a) Set 1, in accordance with market Rule 9.5.1(c)(i) – Capacity Credits covered by Special Price Arrangements but allowed to be traded bilaterally. The total number of Capacity Credits for the purpose of this set is the total quantity of Capacity Credits covered by Special Price Arrangements less the quantity of Capacity Credits acquired by the IMO covered by a Special Price Arrangement that are not allowed to be traded bilaterally.
 - b) Set 2, in accordance with market Rule 9.5.1(c)(ii) – Capacity Credits allowed to be traded bilaterally that are not covered by Special Price Arrangements.

Exhibit 1-2 provides an illustration of how a Submitting Market Participant could determine the number of Capacity Credits to be allocated to Receiving Market Participants over various trading intervals within a trading month.

Exhibit 1-2 – Capacity Credit Allocation Illustration

Note - For ease of reference it is assumed that:

- There are 20 trading intervals in the relevant trading month;
- The Submitting Market Participant has 15 Capacity Credits to allocate;
- No differentiation has been made between Set 1 and Set 2 Capacity Credits.

TRADING MONTH X					
TRADING INTERVAL	MARKET PARTICIPANTS				TOTAL
	A	B	C	D	
1	10	5	0	0	15
2	10	5	0	0	15
3	10	5	0	0	15
4	10	5	0	0	15
5	10	5	0	0	15
6	5	5	2	3	15
7	5	5	2	3	15
8	5	5	2	3	15
9	5	5	2	3	15
10	5	5	2	3	15
11	5	5	2	3	15
12	5	5	2	3	15
13	5	5	2	3	15
14	5	5	2	3	15
15	5	5	2	3	15
16	0	5	0	10	15
17	0	5	0	10	15
18	0	5	0	10	15
19	0	5	0	10	15
20	0	5	0	10	15
SUB-TOTAL	100	100	20	80	300
Divide by No. of Intervals	20	20	20	20	15
TOTAL CAPACITY CREDITS ALLOCATED	5	5	1	4	15

For the purpose of a Capacity Credit Allocation Submission, only the Total Capacity Credits per Market Participant are recorded.

1.9 Partial Capacity Credits

A Capacity Credit Allocation Submission may allocate part of a Capacity Credit provided that the number of Capacity Credits allocated is specified to a precision of 0.005 MW. (Market Rule 9.5.2)