[DOE DEPARTMENT CIRCULAR NO. DC 2005-11-010, November 11, 2005]

AMENDMENTS TO THE WESM RULES

Whereas, Rule 8.6.1 of the Wholesale Electricity Spot Market (WESM) Rules provide for the approval by the Department of Energy (DOE) of proposals for any WESM rules changes upon endorsement by the PEM Board;

Whereas, on September 9, 2005, the Interim Rules Change Committee has approved a resolution endorsing for approval before the PEM Board changes in the WESM Rules pertaining to the governance, procedure on rules change, and market operations including correction of clerical errors;

Whereas, after discussion, the PEM Board has resolved on September 27, 2005 to approve for endorsement to the Department of Energy (DOE) the abovestated changes to the WESM Rules;

NOW, THEREFORE, pursuant to its authority under the WESM Rules, the DOE hereby issues, adopts and promulgates the following amendments to the WESM Rule.

A. Amendments to the WESM Rules

1. Rule 1.4.2.7. (d) is amended to read -

"(d) Has not been employed by any electric power industry participant, or a company or body related to or associated with a WESM participant (as defined in clause 1.4.2.7 (c)) within one year prior to nomination date; and

2. Rule 1.6.2 (c) is hereby deleted and intentionally left blank.

3. Rule 1.9 is amended to read as follows -

"Where the WESM Rules identify matters that are subject to review or consultation in accordance with the public consultation procedures, the PEM Board shall ensure that, as a minimum, the following procedures are followed:

a. The PEM Board shall publish in the market information website particulars of the matter to *WESM Participants* and other interested persons, inviting written submissions concerning the matter to be made by a specified date."

4. Rule 3.5.4.1 (as amended) is further amended to read --

Each *Customer* may submit a forecast in respect of each trading interval for each of its registered load facilities for each trading day of the week in accordance with the timetable. The forecast submitted by the Customer shall be used by the *Market Operator* in the preparation of Net Load Forecast if it is within the forecast tolerance range published by the Market Operator.

If the Customer fails to submit a forecast of its load facilities in accordance with the timetable or if the Customer forecast submitted is not within the published forecast tolerance range, the forecast prepared by the *Market Operator* at the node where the Customer is located shall be used.

Prior to the commencement of the spot market, the Market Operator, in consultation with WESM Participants, shall determine and publish the forecast tolerance range. The forecast tolerance range may be varied from time to time by the *Market Operator*.

5. Rule 3.6.5 is amended to read -

From time to time, the *System Operator* and the Market Operator shall investigate the scope for further development of the market dispatch optimization model beyond the minimum requirements specified in clause 3.6.1 and submit their recommendations in a report to the PEM Board for consultation with WESM Members.

6. Rule 3.9.6. is amended to read -

If, as a result of *load shedding*, no *ex-ante* prices can be determined or communicated within the timeframe specified in the timetable, or the calculated prices are believed to be in error, the *Market Operator* shall, as soon as possible, issue a *pricing error notice* in accordance with clause 3.10.5

7. Rule 3.10.5 is amended to read --

In the event where no *ex-ante prices* can be determined or communicated within the timeframe specified by the timetable, or the calculated prices are believed to be in error, as a result of *load shedding, occurrence of constraint violation coefficients*, or for any other reason:

    a. The *Market Operator* may, as soon as possible after the end of a trading interval, issue a *pricing error notice*, in which case, the ex-post quantities and the ex post prices determined according to clause 3.10.7 shall also serve as *ex-ante* quantities and *ex-ante* prices.

    b. If no *pricing error notice* is issued within the time specified in the foregoing paragraph, the *ex-post prices* and quantities shall serve as *ex-ante prices* quantities and shall stand irrespective of the outcome of any subsequent investigations or resolutions of any dispute.

    c. Should the pricing error also include *reserves*, the *reserve* quantity and price determined in the ex-post run shall serve as the *reserve* quantity and prices.

8. Rule 3.10.6 is amended to read --

The ex-post nodal *energy* price for each *market trading node* shall be determined as the *shadow price* on the *energy balance equation* for that market *trading node*, formed in accordance with clause 3.6.1.4 (c), in an *ex-post dispatch optimization* performed, in accordance with the timetable, to determine target dispatch levels for the end of that trading interval assuming:

> a. the *plant status* at the end of that trading interval as determined for the *ex-post dispatch optimization* or if *load shedding* occured in that trading interval, the plant status which would have pertained at the end of that *trading interval*, as indicated in the targets determined by the *ex-post dispatch* for that *trading interval*;

> b. The *generation offers* which applied at the beginning of that *trading interval*;

> c. The *unrestrained load* determined from *metering data*, or estimated, at the end of that trading interval, to apply at each *market network node* for that trading interval.

9. Rule 3.10.7 is amended to read --

The *Market Operator*, in consultation with *WESM participants* and subject to approval by the PEM Board, shall develop and publish procedures to be employed in clauses 3.10.6.(d) and (e) in establishing the network configuration and other constraints to be assumed for the determination of *ex-post nodal energy prices* for circumstances in which power system conditions materially change during the trading interval, with a view to ensuring that:

> b. The *ex-post prices* produced in accordance with clause 3.10.6, properly and fairly represent conditions at the end of the trading interval

10. Rule 3.13.1.1 is amended to read --

Trading Participants who sell electricity pursuant to *bilateral contracts* and wish those *bilateral contracts* to be accounted for in settlements shall, after each *trading day*, in accordance with the billing and settlements timetable:

> a. Submit a schedule to the *Market Operator* specifying the MWH bilateral sell quantities at each relevant *market trading node*, in each *trading interval* of that *trading day*;

11. Rule 3.13.6 (a) is amended to read -

For each *trading interval*, the gross *ex-post energy settlement quantity* for each *market trading node* shall be determined by the *Market Operator* as follows:

> a. If the *market trading node* is defined under clause 3.2.2.1 as lying in the boundary of the power system operated by the *System Operator*, the gross *ex-post energy settlement quantity* for the market trading node is the net metered flow into the *power system* operated by the *System Operator* through the associated *meter*;