
Agenda item 5f:

Wholesale Electricity Market Pre Rule Change Discussion Paper

Change Proposal No: PRC_2010_06

Received date:

Change requested by:

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| Date submitted: | TBA |
| Urgency: | 2-medium |
| Change proposal title: | Facility Aggregation and Ancillary Services |
| Market Rule(s) affected: | Clause 2.30 |

Details of the proposed Market Rule Change

1. Describe the concern with the existing Market Rules that is to be addressed by the proposed Market Rule change:

The Market Rules currently allow Market Participants to aggregate facilities under certain circumstances. The aggregation of facilities may lead to more efficient nomination and real time generating behaviour, as Market Participants have a more flexible arrangement for engagement with the market.

Clause 2.30.6 of the Rules ensures that “An aggregated facility which has been registered as a Facility is taken to be treated as a single Facility for the purpose of these rules.”

Spinning Reserve, an Ancillary Service, is allocated under the Rules in accordance with Appendix 2. Allocation is heavily biased towards larger facilities, with those facilities operating at a level over 200MW incurring the lions share of the costs.

Practically, an aggregated facility is the conceptual sum of two (or more) separate physical facilities. Each individual (physical) facility will have the same impact on the market with respect to the requirement for Ancillary Services whether it is aggregated or not. The

allocation of Spinning Reserve costs to a single Facility which comprises the sum of the aggregated facilities, as currently contemplated by the Rules, may act as a disincentive for Market Participants to aggregate facilities. This may lead to a loss of a potential market efficiency, achieved by generators being able to operate their facilities more flexibly.

2. Explain the reason for the degree of urgency:

It is intended that this rule change progress via the standard rule change process

3. Provide any proposed specific changes to particular Rules: (for clarity, please use the current wording of the Rules and place a ~~strikethrough~~ where words are deleted and underline words added)

- 2.30.6. If the individual Facilities forming part of an aggregated facility have their own meters, and there is no single meter for the entire aggregated facility, then the settlement meter data for the aggregated facility must be the sum of the meter readings for its component facilities. Subject to clause 2.30.7A, an ~~An~~ aggregated facility which has been registered as a Facility is taken to be treated as a single Facility for the purpose of these rules.
- 2.30.7. If the IMO approves the aggregation of Facilities then, subject to clause 2.30.7A, that aggregated facility must be registered as a single Facility for the purpose of these Market Rules.
- 2.30.7A. If the IMO approves the aggregation of Facilities then each individual facility in that aggregated facility must be treated as an individual facility for the purpose of the calculation of and provision of Ancillary Services.
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4. Describe how the proposed Market Rule change would allow the Market Rules to better address the Wholesale Market Objectives:

This proposed Rule Change would allow the Market Rules to better address the Wholesale Market Objective:

- a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;

Applying Ancillary Service (Spinning Reserve) costs to aggregated facilities has no practical benefit to the market, but may lead to a loss in efficiency as generators chose not to aggregate facilities to achieve operational efficiencies.

- c) to avoid discrimination in the 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.

The current Rules imply that aggregating two (or more) facilities that creates an aggregated facility that is larger than 200MW incur more costs than aggregating 2 (or more) smaller

facilities, the sum of which is less than 200MW. Such a disparity in cost allocation based on the size of units is a discrimination.

- d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system;

Encouraging Market Participants to aggregate facilities may lead to lower wholesale generation costs as operational efficiencies are realised.

5. Provide any identifiable costs and benefits of the change:

Costs:

- No significant costs identified

Benefits

- Those attributed to operational efficiency gains by generators
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