

Independent Market Operator



Rule Change Notice

Title: Reserve Capacity Testing Payments

Ref: RC_2007_18

Date: 17 September 2007

CONTENTS

1. INTRODUCTION	2
2. THE RULE CHANGE PROPOSAL	2
2.1. The Submission	2
2.2. Details of the Proposal	3
2.3. The Proposal and the Market Objectives	4
3. WHETHER THE PROPOSAL WILL BE PROGRESSED FURTHER.....	5
4. CALL FOR SUBMISSIONS	5
5. PROPOSED AMENDING RULES	6

DOCUMENT DETAILS

IMO Notice No.: RC_2007_18
Report Title: Rule Change Notice: Reserve Capacity Testing Payments
Release Status: Public
Confidentiality Status: Public domain
Published in accordance with Market Rule 2.5.7

Independent Market Operator

Level 22, The Forrest Centre
221 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

1. INTRODUCTION

Market Rule 2.5.1 of the Wholesale Electricity Market Rules provides that any person (including the Independent Market Operator) may make a Rule Change Proposal by completing a Rule Change Proposal Form and submit this to the Independent Market Operator (IMO).

The IMO will assess the proposal and, within 5 Business Days of receiving the Rule Change Proposal Form, will notify the proponent whether the Rule Change Proposal will be progressed further.

In order for the proposal to be progressed the change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the Wholesale Market Objectives. The objectives of the market 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.

A Rule Change Proposal can be processed using a Standard Process or a Fast Track Process. The Standard Process involves a combined 10 weeks public submission period, while the Fast Track Process involves the IMO consulting with Rule Participants who either advise the IMO that they wish to be consulted or the IMO considers have an interest in the change.

2. THE RULE CHANGE PROPOSAL

2.1. The Submission

The IMO submitted, on 13 September 2007, a Rule Change Proposal regarding changes to clauses 6.17.6 and 7.13.1 in the Wholesale Electricity Market Rules.

This Rule Change Notice is published according to Market Rule 2.5.7, which requires the IMO to publish a notice within 7 Business Days of receiving a Rule Change Proposal.

2.1.1. Submission details

Name:	Anne Nolan
Phone:	9254 4300
Email:	imo@imowa.com.au
Organisation:	Independent Market Operator
Address:	Level 22, Forest Centre, 221 St Georges Tce, Perth WA 6000
Date submitted:	13 September 2007
Urgency:	Medium
Change Proposal title:	Reserve Capacity Testing Payments

2.2. Details of the Proposal

The IMO proposes to amend the Market Rules to clarify the payments Participants receive when a facility is undergoing Reserve Capacity tests or Commissioning tests.

In general, the IMO uses Dispatch Instructions to determine the Dispatch Instruction Payments for Participants according to clause 6.17.6.

For system security reasons, System Management needs the ability to issue Dispatch Instructions to Participants, even when they are undergoing testing.

Clause 7.7.1 of the Market Rules states:

- 7.7.1. A Dispatch Instruction is an instruction issued by System Management to a Market Participant other than the Electricity Generation Corporation directing that the Market Participant vary the output or consumption of one of its Registered Facilities from the level indicated in its Resource Plan, or to vary the output of any Registered Facility holding Capacity Credits but not included in a Resource Plan, for specified Trading Intervals.

System Management provides Dispatch Instructions to the IMO any time it directs a Participant to vary the output of a facility, including in the case of Reserve Capacity testing under section 4.25 of the Market Rules.

Section 4.25 of the Wholesale Electricity Market Rules governs the Reserve Capacity Testing of facilities. Clause 4.25.10 states that when a facility is tested for Reserve Capacity, the Dispatch Schedule for that facility has to be set to reflect the energy scheduled in the test. Thus, Participants should get paid MCAP for the energy dispatched during the test.

This is also consistent with Verve Energy not receiving Dispatch Instruction Payments for Reserve Capacity testing purposes. The intent is for both Verve Energy and non-Verve Energy facilities to be paid MCAP for any energy dispatched as a result of the Reserve Capacity tests.

Since it is not intended for Participants to receive Dispatch Instruction Payments for the energy scheduled during these tests, the IMO proposes to clarify clauses 6.17.6 and 7.13.1 to explicitly exclude Dispatch Instructions from being provided to the IMO if a facility is undergoing a Reserve Capacity test in accordance with section 4.25.

In addition, Participants are paid MCAP for Commissioning tests according to clause 3.21A.14. The IMO therefore also proposes to clarify that Dispatch Instructions are not provided to the IMO if a facility is undergoing a Commissioning Test in accordance with section 3.21A.

In regard to Reserve Capacity testing, the IMO has developed a testing protocol, available on the IMO website, which seeks to minimise the cost of these tests and also minimise the need for separate Reserve Capacity tests to be run by Market Participants. The protocol enables performance to be verified from normal operation, without the need for specific Reserve Capacity tests.

For liquid fuel facilities or facilities that only operate at full capacity for short periods over the year, Reserve Capacity tests may also be run during normal maintenance or

operational testing, or at times when liquid fuels are likely to be used to meet normal market operations. This will assist Participants to prove the ability to operate their facilities at their maximum Reserve Capacity Level with minimal additional costs.

2.3. The Proposal and the Market Objectives

The objectives of the market as set out in clause 1.2.1 of the Market Rules 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.*

The proposed changes will promote economic efficiency by treating all Participants equally. It clarifies that both Verve Energy and all other participants will be treated equally with respect to the payments they receive in the event of Reserve Capacity tests. The IMO considers that the proposed changes therefore are consistent with, the operation of objective (a) of the Market Objectives.

- (b) *to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors.*

The proposed changes will provide clarity to Participants and potential investors in regard to payments for Reserve Capacity tests. The IMO considers that the proposed changes, therefore, is therefore consistent with the operation of objective (b) of the Market Objectives.

- (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.*

The IMO considers that the proposed changes do not impact on, and therefore are consistent with the operation of objective (c) of the Market Objectives.

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

The IMO considers that the proposed changes do not impact on, and therefore are consistent with, the operation of objective (d) of the Market Objectives.

- (e) *to encourage the taking of measures to manage the amount of electricity used and when it is used.*

The IMO considers that the proposed changes do not impact on, and therefore are consistent with, the operation of objective (e) of the Market Objectives.

3. WHETHER THE PROPOSAL WILL BE PROGRESSED FURTHER

The IMO has decided to proceed with this proposal on the basis that the IMO's preliminary assessment indicated that the proposal is consistent with the Market Objectives.

The proposal will be progressed according to the Standard Rule Change Process described in section 2.7 of the Market Rules.

The projected timelines for processing this proposal are:

- This Rule Change Notice published 17/09/2007
- First Submission period 17/09/2007 - 29/10/2007
- Draft Report published 26/11/2007
- Second submission period 26/11/2007 - 24/12/2007
- Final Report published 24/01/2008

4. CALL FOR SUBMISSIONS

The IMO is seeking submissions regarding this proposal. The submission period is 6 weeks from the publication date of this notice. Submissions must be delivered to the IMO by close of business on **Monday 29 October 2007**.

The IMO prefers to receive submissions by email to marketadmin@imowa.com.au , using the submission form available on the IMO website:
http://www.imowa.com.au/10_5_1_a_v_open_rule_change_proposals.htm

Submissions may also be sent to the IMO by fax or post, addressed to:

Independent Market Operator
Attn: Dora Guzeleva, Manager Market Administration
PO Box 7096
Cloisters Square, Perth, WA 6850

Fax: (08) 9254 4399

5. PROPOSED AMENDING RULES

The IMO proposes the following amendments to the Market Rules (added words are underlined):

- 6.17.6. The Dispatch Instruction Payment, $DIP(p,d,t)$, for Market Participant p and Trading Interval t of Trading Day d equals the sum of:
- (a) zero, if Market Participant p :
 - i is the Electricity Generation Corporation; or
 - ii was issued no Dispatch Instructions or was issued instructions described by either (c) or (d) for the Trading Interval;
 - (b) the sum over all Scheduled Generators and Dispatchable Loads registered by the Market Participant of the following amounts for Trading Interval t :
 - i. if the Dispatch Schedule for the Registered Facility is set in accordance with clause 6.15.1(a) for Trading Interval t , the Balancing Support Contract energy dispatched from the Facility in Trading Interval t as specified by System Management in accordance with clause 7.13(dA) is zero (where for the purpose of this calculation a Loss Factor adjustment is to be applied to the quantity specified by System Management so that the result is measured at the Reference Node) and the Network Control Service Contract energy dispatched from the Facility in Trading Interval t as specified by System Management in accordance with clause 7.13(dB) is zero (where for the purpose of this calculation a Loss Factor adjustment is to be applied to the quantity specified by System Management so that the result is measured at the Reference Node), the amount for the Registered Facility is zero;
 - ia. if clauses 3.21A.14 or 4.25.10 apply to the Registered Facility during the Trading Interval, the amount for the Registered Facility is zero;
- 7.13.1. System Management must provide the IMO with the following data for a Trading Day by noon on the first Business Day following the day on which the Trading Day ends:
- (a) the Operational System Load Estimate in each Trading Interval in the Trading Day;
 - (b) Load Forecasts prepared by System Management in accordance with clause 7.2.1(b);
 - (c) a schedule of all of the Dispatch Instructions, other than instructions with respect to Registered Facilities to which clauses 3.21A.14 or

Public Domain

4.25.10 apply, that System Management issued for each Trading Interval in the Trading Day by Market Participant and Facility, including the information specified in clause 7.7.3;