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## Wholesale Electricity Market Rule Change Proposal Form

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**Change Proposal No:** RC\_2007\_18

**Received date:** 13/09/2007

### Submitted by

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<b>Date submitted:</b>	13 September 2007
<b>Urgency:</b>	Medium
<b>Change Proposal title:</b>	<b>Reserve Capacity Testing Payments</b>
<b>Market Rule(s) affected:</b>	6.17.6, 7.13.1

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### Introduction

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

This Change Proposal can be posted, faxed or emailed to:

#### **Independent Market Operator**

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

Fax: (08) 9254 4339

Email: [marketadmin@imowa.com.au](mailto:marketadmin@imowa.com.au)

The Independent Market Operator will assess the proposal and, within 5 Business Days of receiving this Rule Change Proposal form, will notify you whether the Rule Change Proposal will be further progressed.

In order for the proposal to be progressed, all fields below must be completed and the change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the wholesale electricity 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.

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## Details of the proposed Market Rule Change

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

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, it is proposed 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) Explain the reason for the degree of urgency:

Clarity of the Rules is important to provide certainty to Participants and potential investors regarding the operation and application of the Rules, especially those rules that have financial outcomes for Participants.

The IMO proposes to progress this Rule Change through the Standard Rule Change process under the Rules.

## 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)

- 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 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;

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**4) Describe how the proposed Market Rule change would allow the Market Rules to better address the Wholesale 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.

## **5) Provide any identifiable costs and benefits of the change:**

### **Benefits**

- The change will provide certainty regarding the interpretation of the Rules by clarifying that Participants are treated on an equal basis with respect to payments for Reserve Capacity Tests.

### **Costs**

- No implementation costs have been identified in regard to this change.