

Independent Market Operator



## **Rule Change Notice**

### **Title: SWIS Reliability Planning Criteria**

Ref: RC\_2007\_28

Date: 28 November 2007

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## DOCUMENT DETAILS

IMO Notice No.: RC\_2007\_28  
Report Title: Rule Change Notice: SWIS Reliability Planning Criteria  
Release Status: Public  
Confidentiality Status: Public domain  
Published in accordance with Market Rule 2.5.7

## Independent Market Operator

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## 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 27 November 2007, a Rule Change Proposal regarding changes to clause 4.5.9 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

|                               |   |
|-------------------------------|---|
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| <b>Date submitted:</b>        | 27 November 2007                                |
| <b>Urgency:</b>               | Normal  |
| <b>Change Proposal title:</b> | SWIS Reliability Planning Criteria              |

## **2.2. Details of the Proposal**

The Planning Criteria to be used in the Long Term Projected Assessment of System Capacity, which is published in the Statement of Opportunities Report, are set out in clause 4.5.9 of the Market Rules. One criteria is that there must be sufficient capacity to meet the forecast peak demand plus a reserve margin based, in part, on the size of the largest generating unit on the system.

Because the size of the largest generating unit may not change for some years, it is likely that the reserve margin will shrink as the maximum demand on the system grows. It is therefore proposed that the reserve margin be set at the larger of the largest unit size, as at present, or a defined percentage of the forecast maximum demand. This latter term means that the reserve margin will increase in proportion to the forecast maximum demand.

The IMO proposes this rule change as a result of a study, undertaken by CRA International, which has been published on the IMO website. In making its proposal, the IMO has been assisted by an Advisory Group representing Market Participants and other stakeholders.

## **2.3. The Proposal and the Market Objectives**

The IMO submits that the proposed rule change is intended to ensure that system reliability is maintained at a satisfactory level as total system load increases. As such, it supports the Market Objective *“to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system”*. It achieves this by facilitating sufficient certified reserve capacity onto the system to ensure that the level of involuntary supply interruptions is kept to a minimum. The proposed change will maintain system reliability at the level that is currently in place, as determined by the existing market rule, as system forecast demand increases.

The nominated reserve margin has been developed through a process that incorporated input from Market Participants and other interested parties. Comparisons with reliability criteria in other markets were obtained through a consultancy that reviewed reserve margins applying in other jurisdictions. A cost-benefit analysis of the change to the reserve plant margin was also undertaken.

Involuntary supply interruptions impose significant costs on end-use customers. These comprise both indirect costs, such as loss of amenity and loss of production, and direct costs associated with the installation and operation of back-up generation. This proposed rule change therefore also supports the Market Objective *“to minimise the long-term cost of electricity supplied to customers from the South West interconnected system”*.

### 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 28/11/2007
- First Submission period 28/11/2007 - 10/01//2008
- Draft Report published 08/02/2008
- Second submission period 08/02/2008 - 10/03/2008
- Final Report published 09/04/2008

### 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 **Thursday 10 January 2008**.

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\\_MarketRulesChangeSummary.html](http://www.imowa.com.au/10_5_1_MarketRulesChangeSummary.html)

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

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## 5. PROPOSED AMENDING RULES

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

- 4.5.9. The Planning Criterion to be used by the IMO in undertaking a Long Term PASA study is that there should be sufficient available capacity in each Capacity Year during the Long Term PASA Planning Horizon to:
- (a) meet the forecast peak demand (including transmission losses and allowing for Intermittent Loads) supplied through the SWIS ~~even after the outage of the largest generation unit~~ plus a reserve margin equal to the greater of:
    - i. 8.2% of the forecast peak demand (including transmission losses and allowing for Intermittent Loads); and
    - ii. the maximum capacity, measured at 41°C, of the largest generating unit;

~~and~~ while maintaining the Minimum Frequency Keeping Capacity for normal frequency control. The forecast peak demand should be calculated to a probability level that the forecast would not be expected to be exceeded in more than one year out of ten; and
  - (b) limit expected energy shortfalls to 0.002% of annual energy consumption (including transmission losses).