Independent Market Operator

Rule Change Notice

Title: NTDL – New and Overnight Loads

Ref: RC_2008_09

Fast Track Rule Change Process

Date: 29 February 2008

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Independent Market Operator

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1. INTRODUCTION

Market Rule 2.5.1 of the Wholesale Electricity Market Rules (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 proposal form, will notify the proponent whether the 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 market objectives 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 Rule Change Process or a Fast Track Rule Change 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

Griffin Energy submitted, on 20 February 2008, a Rule Change Proposal regarding changes to clause 4.28.9 and Appendix 5, and the addition of a new Appendix 5A in the Wholesale Electricity Market Rules (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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Date submitted:	20/02/2008
Urgency:	High
Change Proposal title:	NTDL – New and Overnight Loads

2.2. Details of the Proposal

Griffin submits that it has two concerns regarding the current provision of the Market Rules with respect to Non Temperature Dependent Loads (NTDLs). These are:

- The treatment of overnight loads; and
- The treatment of new loads.

According to Griffin's proposal, under the current definition of NTDLs there are circumstances where loads are not qualified as being non-temperature dependant when the reason for this is clearly contrary to the intent of the rule.

One example is business which structures its processes so that its load is higher overnight – taking advantage of the lower electricity prices in off-peak periods, lessening its contribution to system peak demand during the day and more effectively using distribution and transmission assets. Under the current rules, if the lower load during the daytime is more than 10% of the maximum load during the hot season (which is likely to be its overnight load), the load cannot be classified as a NTDL. That is, it cannot be classified as a NTDL even though the reason for the deviation is not related to temperature dependence and the load may have contributed a lesser amount to peak system load than if its processes were not optimised for overnight running.

Griffin submits that the current method of using deviations from a load's peak consumption ***over the hot season*** appears to be an inadequate mechanism for measuring non-temperature dependence. Non-temperature dependent loads should not vary with seasons (or if they do, variation should not be due to variation in the seasonal temperature, rather some other factor). The current method of setting the load's peak consumption allows loads to be considered non-temperature dependent over a full year when they have only proved non-temperature dependence over the hot season. To

capture the appropriate level of variation when assessing the status of a load with regard to temperature dependency, it is proposed to use the load's median consumption during the four peak SWIS intervals in each month as the value from which any allowable deviation is determined.

According to Griffin's submission, the proposed change would resolve the issue of loads that do not vary (increase) with temperature, but are currently classed as temperature dependent because their demand increases overnight relative to their daytime load.

Griffin also proposes to resolve the issue of new loads entering the market that do not have historical data to determine their temperature dependence status. The status of new loads could be determined on a month by month basis until they meet some threshold that qualifies them as existing loads.

The application of the proposed new method is described in Griffin's Rule Change Proposal, which is published in conjunction with this notice on the IMO website.

2.3. The Proposal and the Wholesale Market Objectives

Griffin submits that its proposal supports the following market objectives:

(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 proposal supports objective (a) of the Market Objectives by encouraging economically efficient behaviour of loads in the SWIS.

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

The proposal supports objective (b) of the Market Objectives by enabling all genuine NTDLs to be treated as such. NTDLs are keenly sought contestable loads.

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

The proposal supports objective (d) of the Market Objectives, by allowing a load to be classified as Non Temperature Dependent when its operating pattern is adjusted to take advantage of cheaper electricity in off-peak intervals. The change will also reduce the overall cost of supply by shifting demand from peak to off-peak periods, thus reducing the need for additional peaking capacity.

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

The proposal supports objective (e) of the Market Objectives, by allowing a load to be classified as Non Temperature Dependent when its operating pattern is adjusted to reduce the amount of electricity used during peak intervals.

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 Wholesale Market Objectives.

Griffin proposed that the change be processed using the Fast Track Rule Change Process, on the basis that it satisfies the criteria in section 2.5.9(b) of the Market Rules. Griffin submits that the proposal deals with a section of the Rules which currently distinguishes loads that are not temperature dependent, then apportions costs to these loads in a certain manner. The fact that some loads that are clearly not temperature dependent are treated as temperature dependent loads means that a manifest error in the Market Rules results in costs being apportioned in a manner which was not intended. Also, Griffin believes that the omission of any process in the Rules to deal with the non temperature dependence classification of new loads (i.e. all loads are assumed to possess existing hot season data) is also an omission requiring correction.

The IMO has decided to process this Rule Change Proposal using the Fast Track Rule Change Process, described in section 2.6 of the Market Rules, on the basis that it satisfies the criteria in section 2.5.9(b) of the Market Rules.

Section 2.5.9 states:

> *The IMO may subject a Rule Change Proposal to the Fast Track Rule Change Process if, in its opinion, the Rule Change Proposal:*
>
> *(a) is of a minor or procedural nature; or*
>
> *(b) is required to correct a manifest error; or*
>
> *(c) is urgently required and is essential for the safe, effective and reliable operation of the market or the SWIS.*

The IMO notes that the intent of the Market Rules is that loads which do not have their maximum consumption during system peak intervals, and thus by their nature are non temperature dependant, should be treated as NTDLs in the spirit of the Market Rules. The unintended outcome that loads that, for example, have their peak consumption during the night are treated as temperature dependant is a manifest error in the Market Rules. The IMO therefore considers that this change can be progressed using the Fast Track Rule Change process, as is fulfils the requirements of clause 2.5.9(b).

The projected timelines for processing this proposal are:

- This Rule Change Notice is published 29/02/2008
- Consultation period 04/03/2008 - 26/03/2008
- Final Report published 02/04/2008

4. CONSULTATION

Any Rule Participant wishing to be consulted regarding this Rule Change Proposal is invited to notify the IMO within 5 Business Days of this notice being published.

The IMO will be holding a workshop on this proposal. This workshop is scheduled for Tuesday 11 March 2008. Rule Participants wishing to participate in the workshop must notify the IMO of their attendance before Friday 7 March 2008.

In addition, the IMO would like to receive written input on the proposal from Rule Participants, before consultations end on 26 March 2008, using the submission form available on the Market Rule Change summary page on the IMO website:
http://www.imowa.com.au/10_5_1_MarketRulesChangeSummary.html.

The IMO prefers to receive confirmation of workshop attendance and written submissions by email to **marketadmin@imowa.com.au**.

Notifications 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

Griffin proposes the following amendments to the Market Rules (~~deleted words~~, added words):

Clause 4.28.9

4.28.9. The IMO must only accept the load measured by an interval meter in the list provided in accordance with clause 4.28.8(a) as a Non-Temperature Dependent Load if that load satisfies the requirements of Appendix 5A.

~~(a) had a peak consumption during the previous Hot Season in excess of 1 MWh; and~~

~~(b) did not deviate downwards from the peak consumption in paragraph (a) by more than 10% for more than 10% of the time during the Hot Season except during Trading Intervals where:~~

~~i. the consumption was 0 MWh; or~~

~~ii. consumption was reduced at the request of System Management; or~~

~~iii. evidence is provided by the Market Customer that the source of the consumption was operating at below capacity due to maintenance or a Saturday, Sunday or a public holiday throughout Western Australia.~~

Appendix 5

APPENDIX 5: INDIVIDUAL RESERVE CAPACITY REQUIREMENTS.....

STEP 5: When determining the Individual Reserve Capacity Requirements for Trading Month n identify meters that were not registered with the IMO during one or more of the 12 peak Trading Intervals in the preceding Hot Season but which were registered by the end of Trading Month n-3.

Identify the 4 Peak SWIS Trading Intervals of Trading Month n-3, being the 4 highest demand Trading Intervals, where demand refers to total demand, net of embedded generation, in the SWIS.

For a new meter u that measures Non-Temperature Dependent Load set NMNTCR(u) to be 1.1 times the MW figure formed by doubling the median value of the metered consumption for that meter during the 4 Peak SWIS Trading Intervals of ~~maximum Trading Interval demand for that meter during~~ Trading Month n-3.

For a new meter v that measures Temperature Dependent Load set NMTDCR(v) equal to be 1.3 times the MW figure formed by doubling the median value of the metered consumption for that meter during the 4 Peak SWIS Trading Intervals of Trading Month n-3.

Appendix 5A

APPENDIX 5A: NON-TEMPERATURE DEPENDENT LOAD REQUIREMENTS

This Appendix presents the method and requirements for accepting, in accordance with clause 4.28.9, a load measured by an interval meter in the list provided in accordance with clause 4.28.8(a) as a Non-Temperature Dependent Load.

For the purpose of this Appendix the meter data to be used in any calculations is to be the most current set of meter data as at the time of commencing the calculations.

The IMO must perform the following steps in deciding whether to accept, in accordance with clause 4.28.9, a load measured by an interval meter in the list provided in accordance with clause 4.28.8(a) as a Non-Temperature Dependent Load:

Step 1:

- If, in accordance with clause 4.28.8(a), the IMO is provided by a Market Customer in month (n-2) with a list that includes an interval meter associated with that Market Customer that it wants the IMO to treat as a Non-Temperature Dependent Load from month (n); and
- If the list including the interval meter is provided by the date and time specified in clause 4.1.23; and
- If the load was treated as a Non-Temperature Dependent Load in month (n-8),

then the IMO must accept the load as a Non-Temperature Dependent Load if:

(a) The median value of the metered consumption for that load was in excess of 1.0MWh, calculated over the set of Trading Intervals defined as the four peak SWIS intervals in each of the months starting from the start of month n-11 to the end of month n-3; and

(b) the load did not deviate downwards from the median consumption in paragraph (a) by more than 10% for more than 10% of the time during the period from the start of month (n-11) to the end of month (n-3) except during Trading Intervals where:

i. the consumption was 0 MWh; or

ii. consumption was reduced at the request of System Management; or

iii. evidence is provided by the Market Customer that the source of the consumption was operating at below capacity due to maintenance or a Saturday, Sunday or a public holiday throughout Western Australia.

Step 2:

- If, in accordance with clause 4.28.8(a), the IMO is provided by a Market Customer in month (n-2) with a list that includes an interval meter

associated with that Market Customer that it wants the IMO to treat as a Non-Temperature Dependent Load from month (n); and

- If the load is not treated as a Non-Temperature Dependent Load in month (n-1); and

- If the load was not treated as a Non-Temperature Dependent Load for any of the months in the Capacity Year in which month (n) falls,

then the IMO must accept the load as a Non-Temperature Dependent Load for month (n) if:

(a) the median value of the metered consumption values for that load during the 4 Peak SWIS Trading Intervals in month (n-3) was in excess of 1.0MWh; and

(b) the load did not deviate downwards from the median consumption in paragraph (a) by more than 10% for more than 10% of the time during month (n-3) except during Trading Intervals where:

i. the consumption was 0 MWh; or

ii. consumption was reduced at the request of System Management; or

iii. evidence is provided by the Market Customer that the source of the consumption was operating at below capacity due to maintenance or a Saturday, Sunday or a public holiday throughout Western Australia.

Step 3:

- If a load was not accepted under Step 1 as a Non-Temperature Dependent Load for month (n); and

- If the load was accepted under Step 2, or previously under this Step 3, as a Non-Temperature Dependent Load for month (n-1),

then the IMO must accept the load as a Non-Temperature Dependent Load for month (n) if:

(a) the median value of the metered consumption values for that load during the 4 Peak SWIS Trading Intervals in all months from the month for which metered consumption values were used by the IMO to accept the load as a Non-Temperature Dependent Load under Step 2 to month (n-3) was in excess of 1 MWh; and

(b) the load did not deviate downwards from the median consumption in paragraph (a) by more than 10% for more than 10% of the time during the period from the start of the month for which metered consumption values were used by the IMO to accept the load as a Non-Temperature Dependent Load under Step 2 to the end of month (n-3) except during Trading Intervals where:

i. the consumption was 0 MWh; or

ii. consumption was reduced at the request of System Management; or

iii. evidence is provided by the Market Customer that the source of the consumption was operating at below capacity due to maintenance or a Saturday, Sunday or a public holiday throughout Western Australia.

Step 4:

Otherwise, the IMO must treat a load as a Temperature Dependent Load.