

The background of the lower half of the page is a blue-tinted photograph. On the left side, there are several large wind turbines with their blades extending outwards. On the right side, there are tall, lattice-structured power line towers with multiple cross-arms and insulators. The overall scene is set against a clear sky, and the ground appears to be a flat, open area.

Independent Market Operator

Rule Change Notice

Title: Application of Spinning Reserve to Aggregated Facilities

Ref: RC_2010_06

Standard Rule Change Process

Date: 3 May 2010

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Independent Market Operator

Level 3, Governor Stirling Tower
197 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. THE RULE CHANGE PROPOSAL

1.1. The Submission

On 27 April 2010 Griffin Energy submitted a Rule Change Proposal regarding amendments to clauses 2.30.6, 2.30.7, and Appendix 2 and the proposed new clause 2.30.7A of the Wholesale Electricity Market Rules (Market Rules).

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

1.1.1 Submission details

Name:	Shane Cremin
Phone:	9261 2908
Fax:	9486 7330
Email:	shane.cremin@thegriffingroup.com.au
Organisation:	Griffin Energy
Address:	15th Floor, 28 The Esplanade, Perth, Western Australia 6000
Date submitted:	27 April 2010
Urgency:	2-medium
Change Proposal title:	Application of Spinning Reserve to Aggregated Facilities
Market Rule affected:	Clause 2.30.6, 2.30.7, and Appendix 2 and new clause 2.30.7A

1.2. Details of the Proposal

Griffin Energy's Rule Change Proposal notes that 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 Market 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, costs are allocated under the Market Rules in accordance with Appendix 2. Griffin Energy notes that allocation is heavily biased towards larger facilities, with those facilities operating at a level over 200MW incurring a greater proportion of the costs.

Griffin Energy's Rule Change Proposal states that 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. Griffin Energy considers that the allocation of Spinning Reserve costs to a single Facility which comprises the sum of the aggregated facilities, as currently contemplated by the Market 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.



1.3. The Proposal and the Wholesale Market Objectives

Griffin Energy submits that the proposed changes would allow the Market Rules to better address Wholesale Market Objectives (a), (c) and (d).

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

Griffin Energy considers that applying Ancillary Service (Spinning Reserve) costs to aggregated facilities based on the sum of their available capacity has no practical benefit to the market, but may lead to a loss in market efficiency as generators choose 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.*

Griffin Energy notes that the current Market Rules imply that aggregating two (or more) facilities to create an aggregated facility larger than 200MW incurs more costs than aggregating two (or more) smaller facilities, the sum of which is less than 200MW. Griffin Energy considers that such a disparity in cost allocation based on the size of units is discrimination.

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

Griffin Energy considers that encouraging Market Participants to aggregate facilities may lead to lower wholesale generation costs as operational efficiencies are realised.

Griffin Energy considers that the proposed Amending Rules are consistent with the remaining Wholesale Market Objectives.

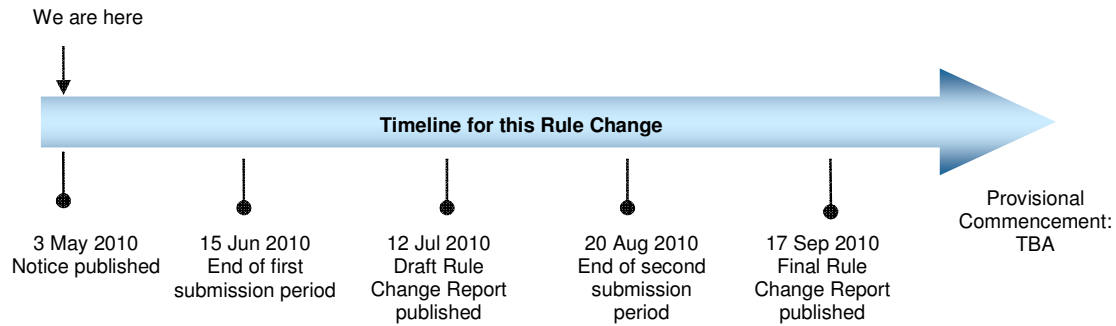
2. WHETHER THE PROPOSAL WILL BE PROGRESSED FURTHER

The IMO has decided to proceed with this proposal on the basis that Market Participants should be given an opportunity to provide submissions as part of the rule change process.

This Rule Change Proposal will be processed using the Standard Rule Change Process, described in section 2.7 of the Market Rules.

The projected timelines for processing this proposal are:





3. CALL FOR SUBMISSIONS

The IMO is seeking submissions regarding this proposal. The submission period is 30 Business Days from the publication date of this Rule Change Notice. Submissions must be delivered to the IMO by 5:00pm on **Tuesday, 15 June 2010**.

The IMO prefers to receive submissions by email to market.development@imowa.com.au using the submission form available on the IMO website: <http://www.imowa.com.au/rule-changes>.

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

Independent Market Operator
 Attn: Manager Market Development and System Capacity
 PO Box 7096
 Cloisters Square, Perth, WA 6850
 Fax: (08) 9254 4399

4. PROPOSED AMENDING RULES

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

- 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 of a Scheduled Generator then each individual facility in that aggregated Facility must be treated as an individual Facility for the purpose of the calculation of Spinning Reserve.

Appendix 2

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For the purpose of determining the Reserve_Share(p,t) values, each applicable facility f has an applicable capacity associated with it for Trading Interval t.

- If facility f is an Intermittent Generator with an interval meter then this is double the MWh average interval meter reading for the Trading Month containing Trading Interval t.
- If facility f is a Scheduled Generator with an interval meter then this is double the MWh interval meter reading for Trading Interval t.
- If facility f is a Scheduled Generator that is the sum of more than one aggregated Facilities, each with an interval meter, then each individual Facility is treated as an individual Scheduled Generator under Appendix 2.
- If facility f is an Electricity Generation Corporation Intermittent Generator without an interval meter then this is double the average monthly MWh sent out generation of that facility based on SCADA data over the Trading Month containing Trading Interval t.
- If facility f is an Electricity Generation Corporation Scheduled Generator without an interval meter or an unmetered generation system serving Intermittent Load then this is double the MWh sent out generation of that facility based on SCADA data for Trading Interval t.

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5. ABOUT RULE CHANGE PROPOSALS

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