
Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2010_29 Curtailable Loads and Demand Side Programmes

Submitted by

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Submission

1. Please provide your views on the proposal, including any objections or suggested revisions.

Summary

The ability to curtail Loads provides a potentially valuable option to System Management to avoid otherwise unplanned load shedding during periods of peak system demand.

For this reason, Alinta is generally supportive of the Market Rules appropriately incentivising the provision of capacity by loads that may be curtailable.

However, for the following reasons Alinta does not consider it necessary or desirable to proceed with RC_2010_29 at this time.

- The IMO has engaged the services of a consultant to assist it in reviewing the Reserve Capacity Mechanism (RCM), and to provide it with recommendations on any practical changes to the RCM to deliver economic efficient outcomes, including ensuring appropriate investment signals and incentives for the 'right' mix of Facilities. The scope of works specifically requires that the consultant consider whether the RCM is delivering the optimal mix of generation and Demand Side Management (DSM) capacity.

It appears very likely that substantial changes to the RCM will be recommended following this review. For this reason, it appears premature to amend the Market Rules as proposed by RC_2010_29 ahead of the recommendations of the review being considered by the Market Advisory Committee (MAC).

- Changing the manner in which Relevant Demand is measured for Curtailable Loads and/or Demand Side Programmes to use their Individual Reserve Capacity Requirement (IRCR), rather than the 32 Peak Trading Intervals as is currently the case, entrenches the existing 'static' baseline for measuring the extent to which Curtailable Loads and/or Demand Side Programmes meet their obligations under the Market Rules.

There appeared to be general consensus at a workshop held by the IMO on 8 April 2011 that adopting a 'dynamic' baseline to measuring the extent to which Curtailable Loads and/or Demand Side Programmes meet their obligations under the Market Rules may be more consistent with the Market Objectives.

- To the extent that the IMO has developed a workable approach that is permissible within the current Market Rules, there appears to be no practical need for amending the Market Rules as proposed by RC_2010_29.

As noted in the Rule Change Proposal, the IMO advised the MAC of a number of perceived issues associated with Curtailable Loads and demand side management (DSM) in May 2010. In the intervening period, it successfully completed a Reserve Capacity Cycle assigning a significant number of new Capacity Credits to DSM/Demand Side Programmes (DSP).

Further, given it is unlikely that Curtailable Loads and/or Demand Side Programmes will be drawn on to any significant extent prior to January 2012, it appears that there is sufficient time to investigate all matters relevant to dispatch and payment for Curtailable Loads and/or Demand Side Programmes.

Drafting detail

Alinta has also identified the following aspects of the Proposed Amending Rules that it considers may need clarification or further amendment.

- While the proposed amendments would appear to suit parties seeking to aggregate multiple small loads that are curtailable into a single Demand Side Programme, Alinta is concerned that the deletion of clause 4.8.3 has the potential to significantly increase the risk to parties seeking to contract with large loads that are curtailable.

This is because rather than the DSP simply being a 'place holder' for multiple, as yet unidentified loads that are curtailable, parties seeking to contract with large loads will need to contract with these loads at the time the DSP is registered. Not to do so would create significant commercial risk as, unlike parties seeking to aggregate multiple small loads that are curtailable into a single Demand Side Programme, it would be significantly more difficult to source replacement large loads.

- There may be an unintended misalignment between the 10 Business Day delay in the IMO associating a load with a DSP under clause 2.29.5E and a further 10 Business Day delay in resetting the Relevant Demand in clause 2.29.5H after a load is associated with the DSP. Alinta is concerned that the delay in resetting the Relevant Demand by 10 Business Days after the load is associated with the DSP has the potential to create issues if the DSP were dispatched within this period. It appears that the resetting of the Relevant Demand should be occurring in the original 10 Business Days allowed for the IMO to associate the load with the DSP.
- It appears that the deletion of clause 2.33.4(d)(iii) would mean that a Demand Side Programme (DSP) may only be deregistered with six months notice, whereas currently a Curtailable Load, which may comprise the entire programme, can be deregistered with one month notice.
- Currently, Intermittent Loads are not permitted to be included in demand side programmes, but if clause 4.8.3(a) were deleted as proposed, this would no longer be the case.
- Clause 4.8.3(e) currently requires that loads comprising the demand side programme have the same availability as the block that is applied for (e.g. 24 hours or 48 hours). This appears not to have been covered in the amended Market Rules or in the new procedure.
- The reasons that clause 4.11.4, which specifies the hours of availability, is being deleted is unclear.
- The reference in clause 4.25.1(c) to a DSP operating at its maximum Reserve Capacity Obligation Quantity is unclear, as this quantity is simply the difference between its Relevant Demand and its Required Level (i.e. should it be operating at its Relevant Demand?).
- Clause 4.25.2(a) contains a reference to “Meter Schedules” which should instead be a reference to “sent out energy non loss adjusted”.
- It appears that clause 4.25.3B assumes that the “activation” of the DSP would be for the complete amount of capacity offered by the DSP. Alinta understands it is possible, although perhaps unlikely, that a DSP might only be partially “activated”. In such circumstances, it appears that the second Reserve Capacity test would still be required.
- The reference to “current scheduling day” in clause 4.25.4 is unclear and must be more specific. For example, “...on the Second Trading Day following the day on which the IMO validate results...”.
- Clause 4.26.2C contains an incorrect reference to 4.26.CC rather than 4.26.2CC.
- Alinta suggests that the reference in clause 4.26.2C(a) to “...the start of a Reserve Capacity Year...” might be better amended to “...the start of each Reserve Capacity Year...”
- It appears that clauses 4.26.2C(a) and 4.26.2C(c) are effectively the same clause as the content of clause 2.29.5H, to which clause 4.26.2C(c), is the same as the content of 4.26.2C(a).

- Alinta considers that the drafting of clauses 4.26.2CA and 4.26.2CB could be improved.
- Alinta notes that clause 4.26.2D(iii) currently results in a level of refunds that is greater than capacity credits assigned ($-2 * \text{meter data} + \text{Capacity Credits} - \text{Relevant Demand}$). This error should be corrected.
- The new clause 4.26.3A(b)(ii) appears to add MW to \$?
- In respect of clause 6.12.1(h), Alinta notes that loads and Demand Side Programmes do not have “sent out capacity”.
- Clause 6.17.6(d)(i)(2) appears to incorrectly refer to clause 7.1.13(eC) rather than clause 7.13.1(eC). It also appears that this clause will conflict with changes to clause 6.17.6.(d)(i) following RC_2008_20, which commences on 1 October 2011 and changes the dispatch quantity.
- Clause 6.17.6(d)(i) appears to incorrectly use both MW and MWh in determining the extent to which a DSP reduces its consumption. Subclauses 1 and 2 convert MW into MWh by dividing MW by 2, where as subclause 3 converts MWh into MW by multiplying by two. Further, Alinta notes that the calculation appears to have no floor, whereas it appears necessary to limit the reduction to nil.

2. Please provide an assessment whether the change will better facilitate the achievement of the Market Objectives.

Market Rule 2.4.2 states that the IMO must not make Amending Rules unless it is satisfied that the Market Rules, as proposed to be amended or replaced, are consistent with the Wholesale Market Objectives. The Wholesale Market Objectives are as follows.

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

Alinta considers that until the RCM is reviewed, the IMO cannot be satisfied that RC_2010_29 is consistent with the Wholesale Market Objectives, and in any event that it is unlikely to be inconsistent with the Wholesale Market Objectives.

Specifically, over the past four years, the quantity of Capacity Credits assigned by the IMO to Curtailable Loads and/or DSPs registered by Market Customers that do not supply energy to those Loads has increased more than 15 fold, from around 21 MW for the 2008/09 Capacity Year to around 320 MW for the 2012/13 Capacity Year.

- The effect has been to transfer around \$93 million from Market Generators to those Market Customers that only register Curtailable Loads and/or DSPs and do not supply energy to any Loads.
- Since 2010/11, more than 50 per cent of the excess supply of Capacity Credits can be attributed to Capacity Credits assigned to Market Customers that only register Curtailable Loads and/ DSPs but do not supply energy to any Loads.

To the extent the amendments to the Market Rules contemplated by RC_2010_29 reinforce the status quo, the outcome is likely to be inconsistent with Market Objectives (a), (b), (c) and (d).

3. Please indicate if the proposed change will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.

The changes to the Market Rules contemplated by RC_2010_29 would not require Alinta to change its IT or business systems, and hence there are no IT or business costs associated with the rule change proposal.

4. Please indicate the time required for your organisation to implement the change, should it be accepted as proposed.

The changes to the Market Rules contemplated by RC_2010_29 would not require Alinta to change its IT or business systems, and hence there is no specific period of time that would be required to implement the changes arising from the rule change proposal.