

The background of the lower section is a photograph of a wind farm and power lines, overlaid with a semi-transparent blue filter. On the left, several large white wind turbines are visible, their blades extending outwards. On the right, a tall metal lattice tower for power lines stands prominently, with other similar towers receding into the distance. The overall scene is set in an open, hilly landscape under a clear sky.

**Independent Market Operator**

**Rule Change Notice**  
**Title: Curtailable Load Dispatch**  
**Clarification**

Ref: RC\_2011\_05

Standard Rule Change Process

**Date: 15 June 2011**

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## 1. THE RULE CHANGE PROPOSAL

### 1.1. The Submission

On 9 June 2011 System Management submitted a Rule Change Proposal regarding amendments to clause 7.6.3 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

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<b>Date submitted:</b>	9 June 2011
<b>Urgency:</b>	Fast Track Rule change process
<b>Change Proposal title:</b>	Curtailable Load Dispatch Clarification
<b>Market Rule(s) affected:</b>	Clause 7.6.3

### 1.2. Details of the Proposal

#### Background

In its Rule Change Proposal, System Management notes that it must schedule and dispatch Wholesale Electricity Market (WEM) facilities under its obligation in clause 7.6.1 of the Market Rules.

Currently System Management complies with clauses 7.6.3 and 7.6.4 amongst others to dispatch Electricity Generation Corporation and Non-Electricity Generation Corporation facilities it uses. These are:

*“7.6.3. Where meeting the criteria in clause 7.6.1 would otherwise require the use of Liquid Fuelled Registered Facilities of the Electricity Generation Corporation or Liquid Fuelled Registered Facilities covered by any Balancing Support Contract, or Ancillary Service Contract, then System Management may issue Dispatch Instructions to Market Participants other than the Electricity Generation Corporation that, if followed, will allow it to meet the criteria in clause 7.6.1, provided that in issuing such Dispatch Instructions System Management does not issue Dispatch Instructions with respect to a Facility that would result in that Facility using Liquid Fuel.*

*7.6.4. Where System Management cannot meet the criteria in clause 7.6.1 by scheduling and dispatching the Registered Facilities of the Electricity Generation Corporation and Registered Facilities covered by any Balancing Support Contract, or Ancillary Service Contract in such a way as to allow the implementation of the Resource Plans that it has received from the IMO for*



*Market Participants other than the Electricity Generation Corporation, System Management must issue Dispatch Instructions to Market Participants other than the Electricity Generation Corporation that will allow it to meet the criteria in clause 7.6.1.”*

In summary, System Management uses the following dispatch order to increase supply:

1. Verve Non Liquid (other than distillate, fuel oil, liquid petroleum gas, or liquefied natural gas);
2. Non Verve Non Liquid (other than distillate, fuel oil, liquid petroleum gas, or liquefied natural gas);
3. Verve Liquid (distillate, fuel oil, liquid petroleum gas, or liquefied natural gas);
4. Non Verve Liquid (distillate, fuel oil, liquid petroleum gas, or liquefied natural gas).

System Management has interpreted this to mean that Curtailable and Dispatchable Loads, which do not have a fuel characteristic, are classified as Non Verve Non Liquid as it matches the definition of Non Liquid. In essence its dispatch order is:

1. Verve Non Liquid (other than distillate, fuel oil, liquid petroleum gas, or liquefied natural gas);
2. Non Verve Non Liquid (other than distillate, fuel oil, liquid petroleum gas, or liquefied natural gas) and Non Verve Curtailable and Non Verve Dispatchable Loads;
3. Verve Liquid (distillate, fuel oil, liquid petroleum gas, or liquefied natural gas);
4. Non Verve Liquid (distillate, fuel oil, liquid petroleum gas, or liquefied natural gas).

System Management notes, however, that:

- Appendix 1 (c)(vi) allows a Scheduled Generator registered as being capable of running on Liquid Fuel to submit Consumption Increase & Decrease Prices not less than the Minimum STEM Price and not more than the Alternative Maximum STEM Price;
- Appendix 1 (h)(vi) allows a Curtailable Load to submit a Consumption Decrease Price not less than the Minimum STEM Price and not more than the Alternative Maximum STEM Price; and
- Appendix 1 (i)(xA) allows a Dispatchable Load to submit Consumption Increase and Decrease Prices not less than the Minimum STEM Price and not more than the Alternative Maximum STEM Price.

These prices are the same as a Liquid Supply Increase price for a Scheduled Generator as given in Appendix 1(c)(vi). System Management considers that a reader of this clause could infer that System Management should dispatch Curtailable and Dispatchable Loads in the same class as Non Verve Liquid facilities. As such, System Management’s interpretation may lead to an inefficient dispatch as Curtailable and Dispatchable Loads that have bid at the Alternative Maximum STEM price would be dispatched ahead of Verve Liquid facilities. System Management provides the following example:



### **Scenario 1**

IPP Liquid Facility Bid = \$450/MWh

Curtaillable Load Bid (Non-Liquid) = \$400/MWh

Dispatch Merit Order is:

1. Curtaillable Load (Non-liquid)= \$400/MWh
2. Verve Liquid
3. IPP Liquid = \$450/MWh

(This is economically correct as the lower cost bid is dispatched before the higher cost bid.)

### **Scenario 2**

IPP Liquid Facility Bid = \$450/MWh

Curtaillable Load Bid (Non-Liquid) = \$500/MWh

Dispatch Merit Order is:

1. Curtaillable Load (Non-liquid)= \$500/MWh
2. Verve Liquid
3. IPP Liquid = \$450/MWh

(This is not economically correct as it forces the higher cost bid to be dispatched before the lower cost bid.)

As such System Management believes there is a manifest error in the Market Rules as two sections are in conflict giving inefficient market outcomes.

### **Proposed Change to Existing Market Rule**

To avoid doubt, System Management believes there is less risk to the market if the required dispatch order is stated explicitly and the Standing Data prices reflect the order for avoidance of doubt. This allows owners and potential owners of Curtaillable and Dispatchable Loads to be given a clear view of how their facilities will be dispatched.

System Management believes that dispatching Curtaillable Loads and Dispatchable Loads as liquid facilities is theoretically better as it provides higher dispatch payments for lower capacity factor facilities. System Management notes that generally this is associated with lower capacity payments.

#### **1.3. The Proposal and the Wholesale Market Objectives**

System Management considers that the proposed amendments would better address Wholesale Market Objective (a).

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



System Management considers that the change as submitted better addresses this objective by making the dispatch rules more transparent and so the Market Participants can determine their obligations more fully than without this amendment.

System Management notes that under the proposed amendments the previous example would be as follows.

**Scenario 1**

IPP Liquid Facility Bid = \$450/MWh  
Curtailed Load Bid (Non-Liquid) = \$400/MWh

Dispatch Merit Order is:

1. Verve Liquid
2. Curtailed Load = \$400/MWh
3. IPP Liquid = \$450/MWh

(This is economically correct as the lower cost bid is dispatched before the higher cost bid.)

**Scenario 2**

IPP Liquid Facility Bid = \$450/MWh  
Curtailed Load Bid (Non-Liquid) = \$500/MWh

Dispatch Merit Order is:

1. Verve Liquid
2. IPP Liquid = \$450/MWh
3. Curtailed Load = \$500/MWh

(This is economically correct as the lower cost bid is dispatched before the higher cost bid.)

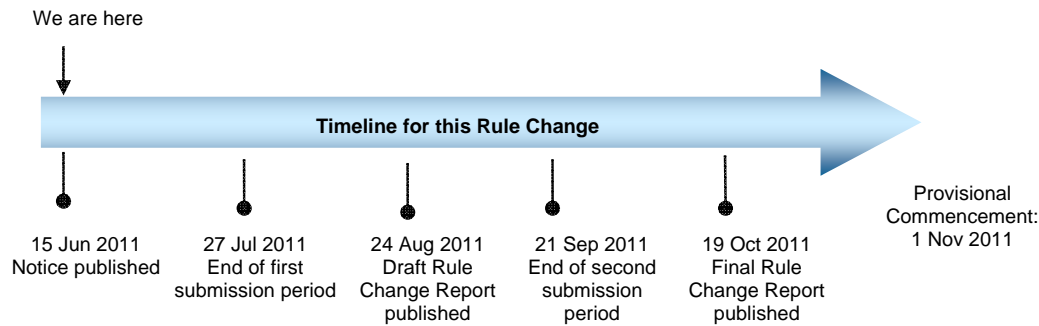
**2. WHETHER THE PROPOSAL WILL BE PROGRESSED FURTHER**

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.

System Management requested that the Rule Change Proposal be subject to the Fast Track Rule Change Process. However, the IMO considers that the proposal does not satisfy the requirements for fast tracking as outlined in clause 2.5.9 of the Market Rules. This Rule Change Proposal will therefore 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:





Please note that the Commencement Date is provisional and may be subject to change in the Final Rule Change Report.

### 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 **Wednesday, 27 July 2011**.

The IMO prefers to receive submissions by email to [market.development@imowa.com.au](mailto: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: General Manager, Market Development  
 PO Box 7096  
 Cloisters Square, Perth, WA 6850  
 Fax: (08) 9254 4399

### 4. PROPOSED AMENDING RULES

System Management proposes the following amendments to the Market Rules (~~deleted text~~, added text):

- 7.6.3. Where meeting the criteria in clause 7.6.1 would otherwise require the use of Liquid Fuelled Registered Facilities of the Electricity Generation Corporation or Liquid Fuelled Registered Facilities covered by any Balancing Support Contract, or Ancillary Service Contract, then System Management may issue Dispatch Instructions to Market Participants other than the Electricity Generation Corporation that, if followed, will allow it to meet the criteria in clause 7.6.1, provided that in issuing such Dispatch Instructions System Management does not issue Dispatch Instructions with respect to a Facility that;



- (a) would result in that Facility using Liquid Fuel, or
- (b) is registered as a Curtailable Load or as a Dispatchable Load.

## 5. ABOUT RULE CHANGE PROPOSALS

Any person (including the IMO) may make a Rule Change Proposal by completing a Rule Change Proposal Form and submitting this to the IMO (Clause 2.5.1 of the Market Rules).

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.