

The background of the lower section is a blue-tinted photograph. On the left, several large white wind turbines are visible, their blades extending outwards. On the right, a tall metal lattice tower for high-voltage 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: Removal of DDAP Uplift  
when less than facility  
minimum generation**

**Ref: RC\_2010\_08**

**Standard Rule Change Process**

**Date: 19 April 2010**

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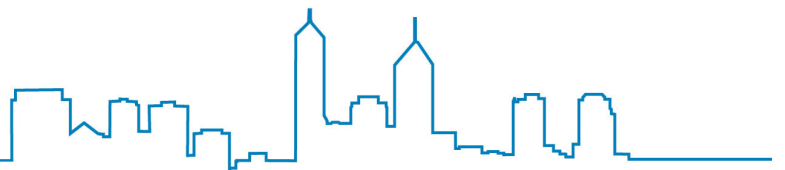
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### DOCUMENT DETAILS

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## 1. THE RULE CHANGE PROPOSAL

### 1.1. The Submission

On 15 April 2010 Griffin Energy submitted a Rule Change Proposal regarding amendments to clause 6.17.4 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>	15 April 2010
<b>Urgency:</b>	2-medium
<b>Change Proposal title:</b>	Removal of DDAP uplift when less than facility min gen
<b>Market Rule affected:</b>	Clause 6.17.4

### 1.2. Details of the Proposal

Griffin's Rule Change Proposal notes that under the Market Rules the calculation of Downward Deviation Adjusted Price (DDAP) presently applies uniformly to all instances where a scheduled generator deviates downwards from its Resource Plan in real-time. DDAP is a Marginal Cost Administered Price (MCAP) multiplier applied to facilities that produce less than their scheduled Resource Plan. Its purpose is two-fold. Firstly, it incentivises scheduled generators to nominate achievable Resource Plans and to operate and maintain their facilities in a manner that will enable Resource Plans to be achieved. Secondly, it acts as a deterrent to Market Generators that might seek to deviate downwards from their Resource Plan in real time to take advantage of a potential situation where MCAP is lower than their marginal cost of production.

Facility registration data in the Wholesale Electricity Market System acknowledges limitations of facilities, such as the minimum stable generation of a facility. Below the minimum stable generation, a facility cannot reliably produce output to a pre-determined schedule.

Griffin's Rule Change Proposal outlines that a facility will only be operating below its registered minimum generation under a Resource Plan when ramping up to a level above the minimum, ramping down to zero; or when under a forced outage affecting its entire capacity. Griffin posits that imposing DDAP in instances where a facility is ramping up (or down) according to a Resource Plan, in the intervals when the Resource Plan is less than the facility's registered minimum generation, imposes an additional cost on the scheduled generator above the MCAP price levied on the difference between the Resource Plan and the actual generation. In other words, DDAP is an attempt to incentivise an outcome which the generator is unlikely to be able



to control. Applying DDAP to a facility that has experienced a complete forced outage imposes an additional cost on the scheduled generator above the MCAP price as well as the cost of capacity refunds – which act as the specific market incentive to maintain available capacity. In other words, the DDAP penalty in this instance is superfluous.

Griffin acknowledges that there is a potential for the MCAP price to be set marginally higher due to a scheduled generator’s downward deviation (if that downward deviation caused a marginally more expensive generator to set the MCAP price). This is a function of the inherent deficiencies in most generation technologies and will not be impacted by the application of a DDAP penalty to a downward deviation below the minimum stable generation (and it is unlikely a generator will purposely deviate downwards if the impact of doing so is to raise the price of MCAP – to which it will be exposed). Griffin considers that this is also one of the reasons why settling positions in the balancing market is more risky than in the STEM.

The ramp-up profile in Figure 1 provides an example of how this rule would be applied during a downward deviation during ramp up and ramp down. Figure 2 provides an example of how it would be applied to forced outages:

Figure 1.

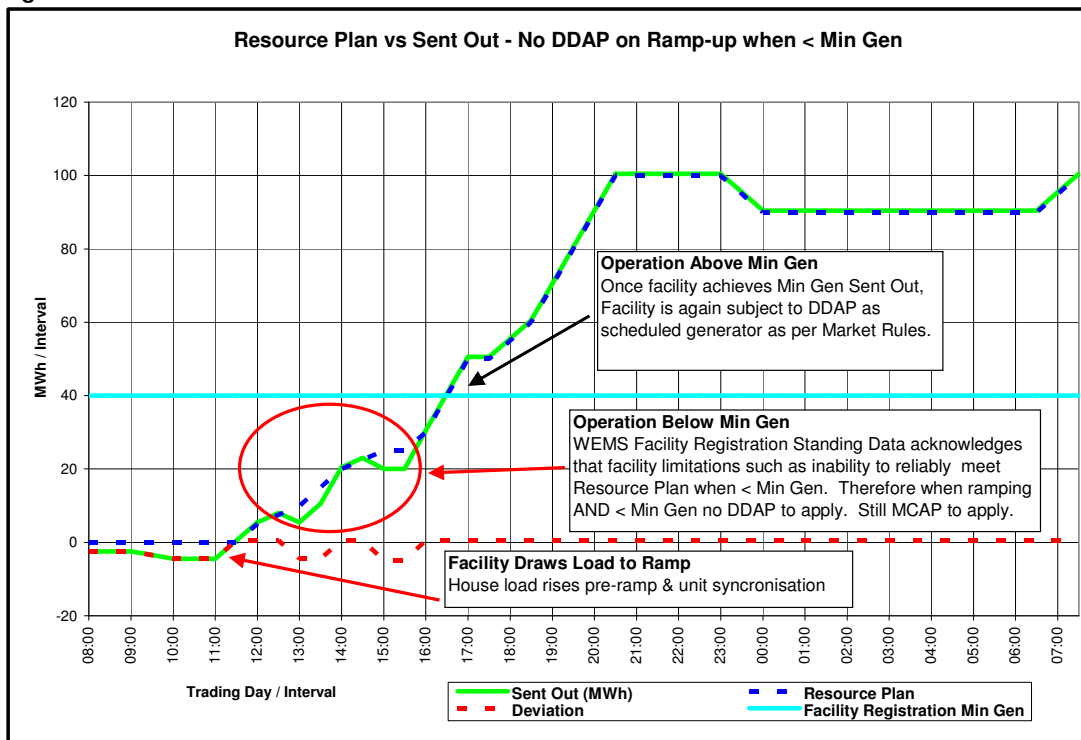
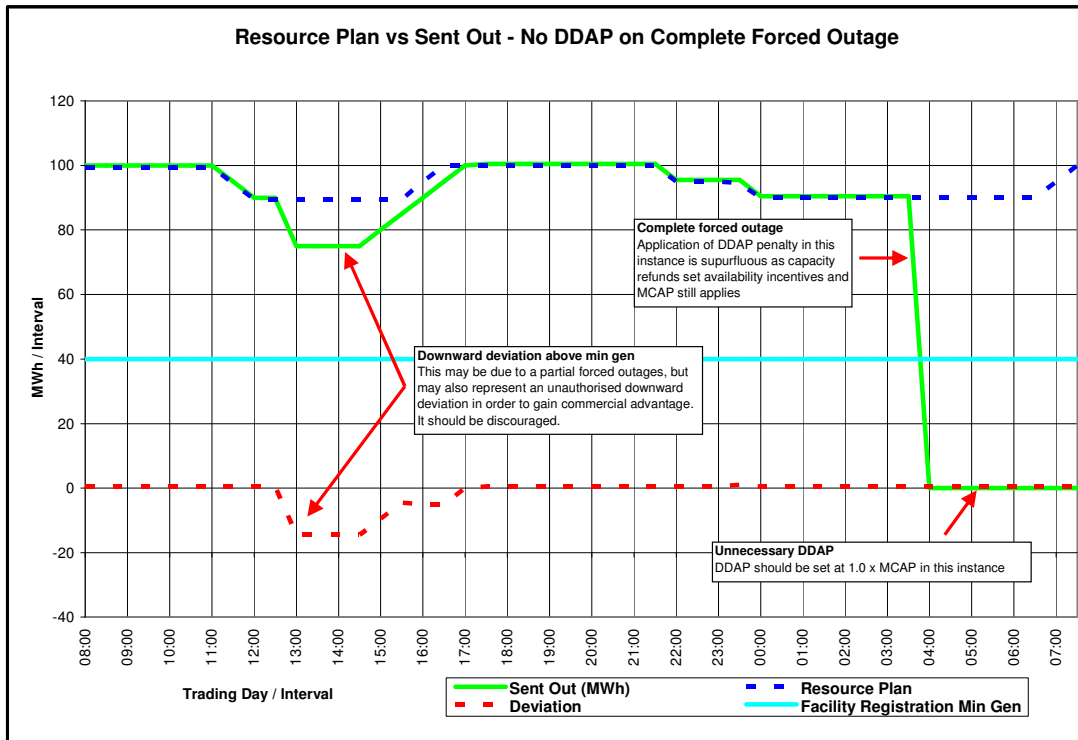


Figure 2.



### 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 a penalty levied to incentivise an action that cannot be properly controlled, or is accounted for by another mechanism in the market, provides little additional benefit to the market. The penalty is an inefficient cost (or wealth transfer).

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 certain types of generation facilities have limitations that are acknowledged in Facility Registration Standing Data, such as the minimum stable generation of a facility. This proposed rule change will mean that certain types of technologies are not discriminated against through penalties levied against these known limitations.

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



By the removal of inefficient costs (or wealth transfers) in the market, Griffin Energy considers the long run benefit should be lower costs for electricity supply.

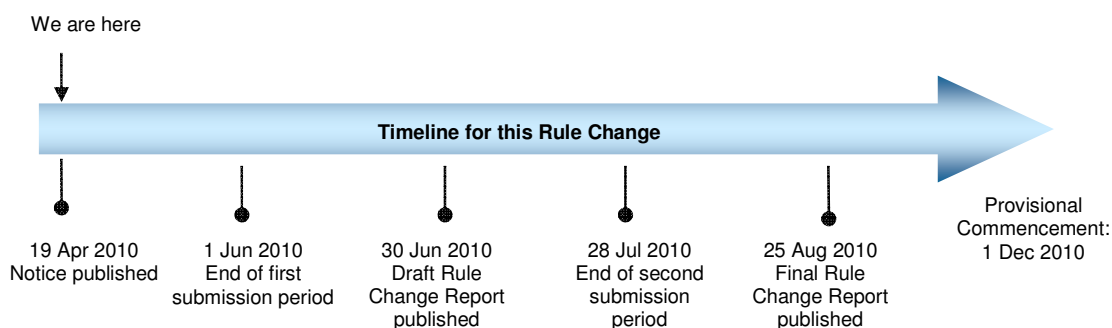
Griffin Energy considers that the proposed Amending Rules are consistent with the remaining Wholesale Market Objectives.

## 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:



Please note that the Commencement Date is provisional and may be subject to change in both the Draft Rule Change Report and 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 **Tuesday, 1 June 2010**.

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

#### 4. PROPOSED AMENDING RULES

The IMO proposes the following amendments to the Market Rules (~~deleted text~~, added text):

6.17.4. The Downward Unauthorised Deviation Quantity,  $DUDQ(p,d,t)$ , for Market Participant  $p$  and Trading Interval  $t$  of Trading Day  $d$  equals the sum over all that Market Participant's Registered Facilities, for intervals where the Facility Dispatch Schedule of each Facility is above that Facility's registered minimum generation capacity, as recorded in Standing Data, other than those to which clauses 3.21A.14 or 4.25.10 apply, of the lesser of:

- (a) The quantity that is:
  - i. the Facility's Metered Schedule for Trading Interval  $t$ ; less
  - ii. the Facility's Dispatch Schedule for Trading Interval  $t$ ; and
- (b) Zero.

#### 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.