
Wholesale Electricity Market - Pre Market Rule Change Discussion Paper

Submitted by

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Urgency:	High
Change Proposal title:	Network Control Service Procurement Requirements
Market Rule(s) affected:	5.2.1, 5.2.2

Introduction

This Pre Market Rule change Discussion Paper can be posted, faxed or emailed to:

Independent Market Operator

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The discussion paper should explain how it will enable the Market Rules to better contribute to the achievement of the wholesale electricity market objectives. The objectives of the market 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.

Details of the proposed Market Rule Change

1. Describe the concern with the existing Market Rules that is to be addressed by the proposed Market Rule change:

At present the Market Rules require that all Network Control Service Contracts must have a minimum period of ten years. This minimum period appears to be appropriate for contracts for medium to large scale generation, however may not always be appropriate for smaller scale solutions. The optimum solution for a network constraint, which minimises the overall cost, may involve a Network Control Service Contract for a relatively small amount of generation for a relatively short period followed by a network augmentation in the medium term. It is proposed therefore to allow the Network Operator to determine the minimum period over which the services would be required.

2. Explain the reason for the degree of urgency:

The steady growth in electricity demand in and around the town of Ravensthorpe means that capacity in the existing network will be fully utilized within 1 to 2 years.

The optimum development appears to be establishing relatively small scale local generation immediately, followed by a major network augmentation around 2012 (depending on actual load growth).

In order establish a contract for a Network Control Service and allow sufficient time for the construction of either new generation or network enhancements, tenders will be required to be issued imminently.

Therefore, Western Power requests that this Rule Change Proposal be processed using the Fast Track Rule Change Process, described in section 2.6 of the Market Rules.

3. Provide any proposed specific changes to particular Rules (for clarity, please use the current working of the Rules and place ~~strikethrough~~ where words are deleted and underline words added):

5.2. Network Control Service Procurement Requirements

- 5.2.1. Where required by the Access Code to submit a major augmentation, as defined in the Access Code, to the tender process set out in the Market Rules, a Network Operator must notify the IMO of the opportunity for network support generation or

Demand Side Management to compete with a transmission or distribution upgrade. The notification must include:

- (a) a specification of the services that would be required from the facility, including:
 - i. the maximum active and reactive power quantities required, specified in MW and MVar;
 - ii. the estimated number of hours per year that the services would be required; and
 - iii. the required period of notice to call upon the services;
- (b) the location at which the facility would need to connect to the relevant network;
- (c) the Network Operator's estimate of the costs involved in connecting a generation facility that could provide the services specified in (a) from the location specified in (b);
- (d) the time by which the facility is required to be in service; ~~and~~
- (e) the Network Operator's estimate of the cost of an augmentation to the Network that would provide the services- ; and
- (f) the minimum period over which the services would be required, from the date specified in (d).

5.2.2. The minimum period over which the Network Control Service is required is the period specified under clause 5.2.1(f). ~~ten years from the date specified clause 5.2.1(d).~~ The IMO may extend the length of the contracted period.

4. Describe how the proposed Market Rule change would allow the Market Rules to better address the Wholesale Market Objectives:

The change is designed to facilitate the maximum overall net cost benefit in every case by allowing the flexibility to optimize the term of the services and timing of the new network investment.

The relevant objectives of the market which are addressed by this change are 1.2.1(a) ("to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;"), and 1.2.1(d) ("to minimise the long-term cost of electricity supplied to customers from the South West interconnected system;").

5. Provide any identifiable costs and benefits of the change:

While it is expected that the annual cost of a Network Control Service will be somewhat higher for a shorter contract period, the required generation will generally be relatively small scale and the establishment costs relatively low, and therefore the incremental costs should not be significant.

Given that such incremental costs are factored into the economic decision making in each case, these cost effects will inevitably be outweighed by the overall cost benefit of choosing an optimum term less than a prescribed minimum of 10 years or other notional period.