
Wholesale Electricity Market Pre Market Rule Change Discussion Paper

Submitted by

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Urgency:	Medium
Change Proposal title:	Reserve Capacity Testing
Market Rule(s) affected:	6.17.6, 7.13.1

Introduction

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

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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:

Clause 7.7.1 of the Market Rules states:

7.7.1. A Dispatch Instruction is an instruction issued by System Management to a Market Participant other than the Electricity Generation Corporation directing that the Market Participant vary the output or consumption of one of its Registered Facilities from the level indicated in its Resource Plan, or to vary the output of any Registered Facility holding Capacity Credits but not included in a Resource Plan, for specified Trading Intervals.

Clause 7.7.1 of the Market Rules defines a “Dispatch Instruction” as an instruction by System Management to a Participant directing it to vary the output of its facility. System Management therefore, currently, provides to the IMO Dispatch Instructions any time it directs a Participant to vary the output of a facility, including in the case of Reserve Capacity testing under section 4.25 of the Market Rules.

Issuing Dispatch Instructions according to clause 7.7.1 for Reserve Capacity testing is inconsistent with other parts of the Rules. For example:

- Clause 6.15.1(b) of the Market Rules requires that where a target Dispatch Instruction is given, the Dispatch Schedule for the facility must be set equal to its resource schedule (as determined by System Management); while
- Clause 6.15.2(aA) requires that the Dispatch Schedule for a facility subject to Reserve Capacity testing be set equal to its Meter Schedule, according to clause 4.25.10;

Section 4.25 of the Wholesale Electricity Market Rules governs the Reserve Capacity Testing of facilities. Clause 4.25.10 states that when a facility is tested for Reserve Capacity, the Dispatch Schedule for that facility shall be set to reflect the energy scheduled in the test. Thus, Participants should get paid MCAP for the energy dispatched during the test. Issuing Dispatch Instructions means Participants instead get paid their pay as bid prices for the energy dispatched.

Dispatch Instructions in their general sense were not intended to be issued when a facility is undergoing Reserve Capacity testing under section 4.25 of the Market Rules. This would also be consistent with Verve Energy not receiving Dispatch Instruction Payments for Reserve Capacity testing purposes. Both Verve Energy and non-Verve Energy facilities would, as an effect of this Proposal, be paid MCAP for any energy dispatched as a result of the Reserve Capacity tests.

For system security reasons, System Management needs the ability to issue Dispatch Instructions to participants, even when they are undergoing testing. However, since participants do not receive Dispatch Instruction Payments for the energy scheduled during these tests, it is proposed to clarify clauses 6.17.6 and 7.13.1 to explicitly exclude Dispatch Instructions from

being provided to the IMO if a facility is undergoing a Reserve Capacity test in accordance with section 4.25.

In addition, clause 6.15.2(aA) also applies to Commissioning Tests according to clause 3.21A.14. The IMO therefore also proposes to confirm that Dispatch Instructions are not provided to the IMO if a facility is undergoing a Commissioning Test in accordance with section 3.21A.

In regard to Reserve Capacity testing, the IMO has developed a testing protocol, available on the IMO website, which seeks to minimise the costs for these tests and also minimise the need for separate Reserve Capacity tests to be run by Market Participants. The protocol enables performance to be verified from normal operation, without the need for special Reserve Capacity tests.

In regard to liquid fuel facilities or facilities that only operate at full capacity for short periods over the year, Reserve Capacity tests can also be run during normal maintenance or operational testing, or at times when liquid fuels are likely to be consumed to meet normal market operations. This will assist Participants to prove their ability to operate their facilities at their maximum Reserve Capacity Level with minimal additional costs.

2) Explain the reason for the degree of urgency:

Clarity of the Rules is important to provide certainty to Participants and potential investors regarding the operation and application of the Rules, especially those rules that have financial outcomes for Participants.

The IMO proposes to progress this Rule Change through the Standard Rule Change process under the Rules.

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

6.17.6. The Dispatch Instruction Payment, $DIP(p,d,t)$, for Market Participant p and Trading Interval t of Trading Day d equals the sum of:

- (a) zero, if Market Participant p :
 - i is the Electricity Generation Corporation; or
 - ii was issued no Dispatch Instructions or was issued instructions described by either (c) or (d) for the Trading Interval;
- (b) the sum over all Scheduled Generators and Dispatchable Loads registered by the Market Participant of the following amounts for Trading Interval t :

- i. if the Dispatch Schedule for the Registered Facility is set in accordance with clause 6.15.1(a) for Trading Interval t, the Balancing Support Contract energy dispatched from the Facility in Trading Interval t as specified by System Management in accordance with clause 7.13(dA) is zero (where for the purpose of this calculation a Loss Factor adjustment is to be applied to the quantity specified by System Management so that the result is measured at the Reference Node) and the Network Control Service Contract energy dispatched from the Facility in Trading Interval t as specified by System Management in accordance with clause 7.13(dB) is zero (where for the purpose of this calculation a Loss Factor adjustment is to be applied to the quantity specified by System Management so that the result is measured at the Reference Node), the amount for the Registered Facility is zero;
 - iA. if clauses 3.21A.14 or 4.25.10 apply to the Registered Facility during the Trading Interval, the amount for the Registered Facility is zero;

7.13.1. System Management must provide the IMO with the following data for a Trading Day by noon on the first Business Day following the day on which the Trading Day ends:

- (a) the Operational System Load Estimate in each Trading Interval in the Trading Day;
- (b) Load Forecasts prepared by System Management in accordance with clause 7.2.1(b);
- (c) a schedule of all of the Dispatch Instructions, other than instructions with respect to Registered Facilities to which clauses 3.21A.14 or 4.25.10 apply, that System Management issued for each Trading Interval in the Trading Day by Market Participant and Facility, including the information specified in clause 7.7.3;

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

The objectives of the market as set out in clause 1.2.1 of the Market Rules 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.*

The proposed changes will promote economic efficiency by treating all Participants equally. Currently Verve Energy does not receive Dispatch Instruction Payments for Reserve Capacity

tests. The IMO considers that the proposed changes therefore are consistent with, the operation of objective (a) of the Market Objectives.

(b) *to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors.*

The proposed changes will provide clarity to Participants and potential investors in regard to payments for Reserve Capacity tests. The IMO considers that the proposed changes, therefore, is therefore consistent with the operation of objective (b) of the Market Objectives.

(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.*

The IMO considers that the proposed changes do not impact on, and therefore are consistent with the operation of objective (c) of the Market Objectives.

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

The IMO considers that the proposed changes do not impact on, and therefore are consistent with, the operation of objective (d) of the Market Objectives.

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

The IMO considers that the proposed changes do not impact on, and therefore are consistent with, the operation of objective (e) of the Market Objectives.

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

Benefits

- Participants will be treated on an equal basis, as currently Verve Energy does not receive dispatch instruction payments for Reserve Capacity tests.
- The change will provide general clarity and certainty regarding the interpretation of the Rules.

Costs

- No implementation costs have been identified in regard to this change.