
Wholesale Electricity Market Pre Market Rule Change Discussion Paper

Submitted by

Name:	Dora Guzeleva
Phone:	(08) 9254 4351
Fax:	
Email:	
Organisation:	Independent Market Operator
Address:	
Date submitted:	TBA
Urgency:	Medium
Change Proposal title:	Capacity Credits and Facility Registration
Market Rule(s) affected:	New Rule 4.23A.4

Introduction

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

Independent Market Operator

Attn: Dora Guzeleva, Manager Market Administration

PO Box 7096

Cloisters Square, Perth, WA 6850

Fax: (08) 9254 4399

Email: marketadmin@imowa.com.au

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 4.23A.3 of the Market Rules provides that if at any time a Market Participant holds Capacity Credits with respect to an Aggregated Facility, for which aggregation is being revoked, and that Facility must be registered as more than one Registered Facility then the IMO may re-allocate the Certified Reserve Capacity, Capacity Credits and Reserve Capacity Obligation Quantities from the Aggregated Facility to the Registered Facilities. This is subject to a number of conditions specified in clause 4.23A.3.

A number of Market Participants, holding Capacity Credits, have indicated that the efficiency of their operations would be enhanced if they were permitted to aggregate some of their facilities and the Capacity Credits assigned to those facilities. The Market Rules do not explicitly provide for this at present, especially with respect to facilities that have current Reserve Capacity Obligations. The IMO considers that, given that the Market Rules already provide for the “disaggregation” of Capacity Credits as a result Facility disaggregation, it would be appropriate to allow the “aggregation” of Capacity Credits as a result of the IMO’s approval of facility aggregation, and the IMO proposes to amend the Market Rules accordingly.

As with the existing clause 4.23A.3, a number of conditions would have to be attached to the new clause allowing the “aggregation” of Capacity Credits as a result of facility aggregation. Importantly, the information submitted with the application for certification of Reserve Capacity for the Registered Facilities must remain satisfactory as at the date and time the IMO has approved their aggregation as a single aggregated facility. The IMO notes that that information includes, amongst other things, evidence that the Facility is entitled to have network access for its total Certified Reserve Capacity.

2) Explain the reason for the degree of urgency:

This change should be implemented as soon as practicable to enable Market Participants, holding Capacity Credits, to aggregate their facilities if they consider that efficiency of their operations would be enhanced by the aggregation.

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)

4.23A.4. If at any time a Market Participant holds Capacity Credits with respect to Registered Facilities, for which the IMO has approved aggregation as a single aggregated facility in accordance with clause 2.30.7, then the IMO may re-allocate the Certified Reserve

Capacity, Capacity Credits and Reserve Capacity Obligation Quantities of the Registered Facilities to the aggregated facility subject to the conditions that:

- (a) the information submitted with the application for aggregation must demonstrate that the aggregated facility can at all times meet the sum of the full Reserve Capacity Obligation Quantities of the Registered Facilities;
- (b) the IMO must allocate to the aggregated facility the Certified Reserve Capacity, Capacity Credits and Reserve Capacity Obligation Quantity it can provide based on information provided in the original application for Certified Reserve Capacity for the Registered Facilities;
- (c) after the re-allocation the Certified Reserve Capacity, the number of Capacity Credits and the Reserve Capacity Obligation Quantities of the aggregated facility must equal the sum of the Certified Reserve Capacities, the total number of Capacity Credits, and the sum of the Reserve Capacity Obligation Quantities originally held by the Registered Facilities; and
- (d) the Capacity Credits and the Reserve Capacity Obligation Quantities of the aggregated facility must at all times be capable of being disaggregated in accordance with clause 4.23A.3.

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

Enabling the “aggregation” of Capacity Credits as a result of the IMO approval of facility aggregation would enhance the efficiency of operations in certain circumstances and thus promote economic efficiency in the market. The proposed change would provide certainty to existing and new participants as to whether such “aggregation” of Capacity Credits is in fact allowed under the Market Rules which currently appear to lack clarity in this respect.

Aspects of this proposed rule change are intended to ensure that system reliability is maintained in the event Capacity Credits are allowed to be “aggregated” by the IMO. The change achieves this by ensuring that all arrangements regarding the Certified Reserve Capacity remain in place after the aggregation. As such, the proposed rule change is consistent with the Market Objective “to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system”.

By enhancing the efficiency of participant operations, the proposed rule change would also support the Market Objective “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:

Some Wholesale Electricity Market System changes may be necessary as a consequence of implementing this rule change proposal.

The rule change will ensure that Market Participants are provided with the appropriate flexibility to increase the efficiency of their operations.
