
Wholesale Electricity Market Pre Market Rule Change Discussion Paper

Change requested by

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Date submitted:	<i>17th October 2007</i>
Urgency:	<i>3-high</i>
Change Proposal title:	LNG to be Added to Liquid Fuel Definition
Market Rule(s) affected:	Chapter 11 – Glossary: “Liquid Fuel” definition All rules affected by a change to the Liquid Fuel definition which are too many to list

Introduction

Market Rule 2.5.1 of the Wholesale Electricity Market Rules provides that any person (including the IMO) may make a Rule Change Proposal by completing a Rule Change Proposal Form that must be submitted to the Independent Market Operator.

This Change Proposal 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 4339

Email: marketadmin@imowa.com.au

The Independent Market Operator will assess the proposal and, within 5 Business Days of receiving this Rule Change Proposal form, will notify you whether the Rule Change Proposal will be further progressed.

In order for the proposal to be progressed, all fields below must be completed and the change proposal must 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:

Under the present Market Rules, dispatch on Liquid Fuel as defined in Chapter 11 allows Generators to offer energy at up to the Alternative Maximum STEM Price. The definition of Liquid Fuel does not include Liquefied Natural Gas (LNG) making it, by definition of Non-Liquid Fuels a Non-Liquid Fuel. As such it is not economically viable for Generators to use the environmentally friendlier LNG as an alternate back-up to LPG, distillate, or fuel oil, given LNG's comparable price (particularly at call) to other Liquid Fuels.

2. Explain the reason for the degree of urgency:

New facilities for the October 2009 reserve capacity year are presently under construction. Decisions with regard to their back-up fuel strategy will need to be made shortly to allow sufficient construction time. As such the market position on the use of LNG needs to be understood.

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)

Chapter 11 – Glossary

Liquid Fuel: Means distillate, fuel oil ~~or~~ liquid petroleum gas, **or liquefied natural gas.**

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 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;
 Making another liquid fuel economically viable increases fuel diversification which in turn may increase reliability.
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
 No change
- (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;
 Greenhouse gas emissions associated with LNG are x % lower than emissions associated with the Liquid Fuels as presently defined. The proposed rule change will remove the current discrimination against using this cleaner fuel type by making it economic to use.
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
 Adding an additional fuel option will promote further competition in the Liquid Fuel space reducing the cost of Liquid Fuel dispatch and ultimately reducing the cost of wholesale electricity during high-peak periods.
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.
 No change

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

Benefits

- Diversification of economic liquid fuel types.
- Potential reduction in wholesale electricity costs during high peak periods.
- Reduced greenhouse gas emissions.

Costs

- No Costs
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