
Wholesale Electricity Market Pre Market Rule Change Discussion Paper

Submitted by

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Address:	
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Urgency:	Medium
Change Proposal title:	Capacity Credits and Facility Registration
Market Rule(s) affected:	2.30.4 and 2.30.5 (amended), 2.30.1A and 4.23A.4 (new)

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 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.

Further, in regard to aggregated facilities in general, it is important that the IMO and System Management can be provided with the same data for the individual facilities as before the aggregation; for example in regard to fuel usage, and individual unit capabilities and characteristics. Therefore it is proposed to amend clause 2.30.5 to allow the IMO to impose conditions related to the continued provision of individual unit data when making its decision on the aggregation. At its meeting in December 2007, the Market Advisory Committee expressed concerns that an aggregated facility comprised of a liquid and a non-liquid plant could be allowed to bid its entire capacity at above the normal price cap. The amended clause 2.30.5 proposes to address this issue by ensuring that such behaviour can be readily monitored by the IMO.

In order to avoid misuse of the ability to aggregate and disaggregate facilities, including moving the Reserve Capacity Credits between the individual facilities and the aggregated facility, the IMO proposes to limit a Rule Participant to one aggregation and one disaggregation event per Facility in each Capacity Year.

Further, the IMO proposes to amend clause 2.30.4 to also include the Network Operator as a party the IMO must consult with in regard to Facility aggregation. This will enable the Network

Operator to provide the IMO with input on any network related issues in regard to the aggregation.

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 ~~strike through~~ where words are deleted and underline words added)

2.30.1A. For each Capacity Year the IMO may only accept an application under clause 2.30.1 once with respect to each Facility.

2.30.4. The IMO must consult with System Management and the relevant Network Operator when assessing an application for Facility aggregation and inform the relevant Rule Participant whether the aggregation of the facilities is allowed.

2.30.5. The IMO must only allow the aggregation of facilities if, in its opinion:

- (a) the aggregation will not adversely impact on System Management's ability to maintain power system Security and Reliability;
- (b) adequate control and monitoring equipment exists for the aggregated Facility;
- (c) none of the Facilities within the aggregated facility are subject to an Ancillary Service Contract or Network Control Service Contract that requires that Facility not be part of an aggregated facility; ~~and~~
- (d) with the exception of facilities aggregated under clause 2.30.3, the aggregated facilities are at the same location or have the same Loss Factor; and
- (e) System Management and the IMO will continue to be provided with the same Standing Data for each individual facility as before the facilities were aggregated.

2.30.8. Where the IMO considers, after consultation with System Management, that a change in one or more of the criteria in clause 2.30.5 means that an aggregated facility should no longer be aggregated, it must inform the relevant Rule Participant of

the date on which the aggregated facility will be considered to have been disaggregated.

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 and that both System Management and the Network Operator are consulted as part of the aggregation process. 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.
