Wholesale Electricity Market
Pre Market Rule Change Discussion Paper

Submitted by

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Urgency:	High
Change Proposal title:	**Changes to IRCR Calculation**
Market Rule(s) affected:	Clause 8.6.1 and Appendix 5

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 the proposed rule change 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 the MAC meeting on 10 October 2007 it was decided to initiate an IRCR Working Group which would convene on a regular basis to discuss, amongst other things, the allocation and the calculation of the Individual Reserve Capacity Requirement (IRCR).

The IRCR Working Group has concluded that new meters entering the Notional Wholesale Meter are not treated in the same way as new interval meters for the purposes of IRCR and that this should be corrected. Accordingly, it was decided that a proposed rule change be drafted to address this inequality.

This proposed rule change comprises amendments to the content of meter data submissions as set out in clause 8.6.1 and the addition of Step 5A in Appendix 5 to bring about a more equitable treatment of non-interval or accumulation meters and interval meters in the calculation of a retailer's IRCR.

A retailer's IRCR is determined by two factors: the contribution of its customer loads to the system peak demands and the size of the Reserve Capacity requirement on the system. Each month, a retailer's IRCR (its share of Reserve Capacity) is updated to reflect the new interval meters which have been connected and are serviced by the retailer. However, the Notional Wholesale Meter, which covers all non-interval or accumulation meters is only updated annually to reflect the increase in the number of these meters. The disparity in the frequency with which the Notional Wholesale Meter is updated to reflect the addition of new meters compared with how often other retailers' IRCRs are updated is a cause of concern for independent power providers since it adversely affects their share of Reserve Capacity.

As specified under clause 8.6.1, meter data submissions are provided by Metering Data Agents to the IMO on a regular basis. Meter data submissions contain specific information on each meter within the Metering Data Agent's database and on each Trading Interval in a particular Trading Month.

The IMO proposes to add to the information that needs to be provided in the meter data submission to assist the IMO in approximating the monthly growth of the Notional Wholesale Meter. The IMO proposes to include the number of non-interval or accumulation meters in existence at the end of any one trading month and the difference between the number of newly installed and disconnected non-interval meters in any given trading month as extra information within the meter data submission.

The inclusion of this material in meter data submissions will enable the IMO to derive the growth of non-interval meters on a monthly basis and thereby estimate the IRCR corresponding to new accumulation meters for a particular Trading Month. The IMO proposes to follow the method outlined in a new Step 5A in Appendix 5 to estimate the growth of the Notional Wholesale Meter. Step 5A introduces a new variable termed 'New Notional Wholesale Meter' which is the key element in calculating an IRCR for all new non-interval meters during a capacity year.

2) Explain the reason for the degree of urgency:

This proposed rule change can be progressed via the standard rule change process.

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)

8.6.1. A meter data submission must comprise:

(a) the identity of the Metering Data Agent;

(b) the Trading Month to which the meter data relates;

(c) for each interval meter and each Trading Interval in the Trading Month described in (b):

i. the identity of the meter;

ii. the MWh quantity measured by the meter; and

iii. whether the quantity described in (ii) is based on an actual meter reading or an estimate, and if based on an estimate, the applicable code describing the reason for the estimate;

(d) [Blank]; and

(e) Meter adjustments that stem from actual meter data becoming available or from the resolution of a dispute concerning meter data ("**meter dispute**") in accordance with the dispute resolution process in the applicable Metering Protocol, including:

i. For each interval meter and each Trading Interval in the calendar month to which a meter dispute has resulted in changes to meter data:

1. the MWh quantity for that meter;

2. whether the quantity described in paragraph (1) is based on an actual meter reading or an estimate, and if based on an estimate, the applicable code describing the reason for the estimate; and

3. the applicable code describing the reasons for the change in the MWh quantity relative to the previously stated value.

(f) the number of non-interval or accumulation meters that existed at the end of the Trading Month to which the meter data relates;

(g) the number of new non-interval or accumulation meters connected during the Trading Month to which the meter data relates; and

(h) the number of non-interval or accumulation meters abolished during the Trading Month to which the meter data relates.

Appendix 5: Individual Reserve Capacity Requirements

This Appendix presents the method for annually setting and monthly adjusting Individual Reserve Capacity Requirements.

For the purpose of this Appendix:

- Steps 1 to 10 are repeated every month.
- All references, apart from those in Step 5A, to meters are interval meters.
- The Notional Wholesale Meter is to be treated as a registered interval meter measuring Temperature Dependent Load. This meter is denoted by Temperature Dependent Load meter v=v*.
- The New Notional Wholesale Meter, determined in accordance with Step 5A, is to be treated as a registered interval meter measuring Temperature Dependent Load.
- The meter registration data to be used in the calculations is to be the most current complete set of meter registration data as at the time of commencing the calculations.
- The values of RR (the Reserve Capacity Requirement) and FL (forecast peak demand associated with that Reserve Capacity Requirement as specified in clause 4.6.2) may be modified from their standard values in accordance with clause 4.28.11A.
- In the case of the first Reserve Capacity Cycle, the IMO may use meter data relating to periods prior to Energy Market Commencement as if the energy market had commenced prior to the time periods covered by that meter data.

STEP 5A: When determining the Individual Reserve Capacity Requirements for Trading Month n.

Find the MW figure formed by doubling the median value of the metered consumption for the Notional Wholesale Meter v*, during the 4 Peak SWIS Trading Intervals of Trading Month n-3 (“Median Notional Wholesale Meter”).

Divide the Median Notional Wholesale Meter by the number of non-interval or accumulation meters that existed at the end of Trading Month n-3 ("Average Non-Interval Meter").

Subtract the number of non-interval or accumulation meters disconnected during Trading Month n-3 from the number of non-interval or accumulation meters connected during Trading Month n-3 ("Non-Interval Meter Growth").

Multiply the Non-Interval Meter Growth and the Average Non-Interval Meter. ("New Notional Wholesale Meter")

For the New Notional Wholesale Meter set NMTDCR(v) equal to be 1.3 times the New Notional Wholesale Meter.

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

The IMO submits that the proposal supports market objective (b) since it will promote competition by placing Synergy on a level playing field with other retailers by ensuring that new accumulation meters entering the Notional Meter are treated similarly to interval meters in the calculation of IRCR.

The IMO also submits that the proposal is consistent with the remaining market objectives.

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

Costs

There will be metering system changes associated with implementing this proposed rule change to support incorporation of New Notional Wholesale Meter (NNWM) in IRCR calculation.

The IMO has obtained a quote from its IT vendor, Navita Energy Trading Systems, for AUD $17 700 to carry out the system changes.

Benefits

The proposed rule change supports the Market Objectives as outlined in section 4 of this proposal.
