

Independent Market Operator



## **Draft Market Rule Change Report**

### **Title: Non Temperature Dependant Loads Timelines**

Ref: RC\_2007\_19

Date: 26 November 2007

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## 1. INTRODUCTION

### 1.1. *General Information about Rule Changes*

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

In order for the Proposal to be progressed, 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
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used

A Rule Change Proposal can be processed using a Standard process or a Fast Track process. The Standard process involves a combined 10 weeks public submission period. Under the shorter Fast Track process the IMO consults with Rule Participants who either advise the IMO that they wish to be consulted or the IMO considers have an interest in the change

### 1.1. *About this Rule Change*

On 13 September 2007, Wesfarmers Premier Power Sales (Premier Power) submitted a Rule Change Proposal titled Non Temperature Dependant Loads Timelines.

The Proposal is being processed using the Standard Rule Change Process, described in section 2.7 of the Wholesale Electricity Market Rules.

The Standard Process adheres to the following timelines, outlined in section 2.7 of the Market Rules:

- The first Public Submission period is 30 Business Days after the IMO has published the Rule Change Notice for the Proposal.
- The IMO must publish a Draft Rule Change report within 20 Business Days of the end of the first submission period.

## Public Domain

- The second Public Submission period is for a minimum of 20 Business Days from the date the Draft Rule Change Report is published.
- Within 20 Business Days after the end of the second Public Submission period, the IMO must publish a Final Rule Change Report.

The key dates in processing this Rule Change Proposal are:

- The Rule Change Notice for this Proposal was published on the IMO website on 17 September 2007
- The first Public Submission period on the Rule Change Proposal ended on 29 October 2007
- This Draft Rule Change Report is published on 26 November 2007
- The second Public Submission period is from 27 November to 24 December 2007
- The Final Rule Change Report will be published by the IMO on 24 January 2008

Based on the submissions received, the IMO's draft decision is to accept the Rule Change in the amended form described in Section 6 of this report.

This Draft Rule Change Report on the Rule Change Proposal has been prepared by the IMO in accordance with clause 2.7.6 of the Market Rules.

Interested parties are invited to provide further submissions in relation to this Draft Rule Change Report. In accordance with the Market Rules timelines, the deadline for submissions is 24 December 2007.

## 2. THE RULE CHANGE PROPOSAL

### 2.1. The Submission

Premier Power submitted, on 13 September 2007, a Rule Change Proposal regarding changes to clause 4.28.8 in the Wholesale Electricity Market Rules.

#### 2.1.1. Submission Details

Name:	Paul Key
Phone:	0438 926 975
Email:	pkey@wesenergy.com.au
Organisation:	Wesfarmers Premier Power Sales
Address:	PO Box 4184, Myaree WA 6960
Date submitted:	13 September 2007
Urgency:	Medium

### 2.2. Details of the Proposal

Premier Power proposed to amend the Market Rules to change the timelines related to consideration of Non Temperature Dependant Loads (NTDLs).

Under the Market Rules, the IMO determines and publishes an initial Individual Reserve Capacity Requirement (IRCR) for each Market Customer on the last Business Day falling on or before 10 September of each year.

To assist the IMO in determining these initial IRCRs, Market Customers, by the last Business Day falling on or before 20 August, provide to the IMO:

- a list of interval meters associated with each Market Customer that the Market Customer wants the IMO to treat as NTDLs;
- details of any Demand Side Management (DSM) measures that the Market Customer has implemented since the previous Hot Season, including the expected MW reduction in peak consumption resulting from those measures; and
- nominations of capacity requirements for Intermittent Loads.

Once the initial IRCRs are determined and published, every month between 1 October and 30 September of the Reserve Capacity year, the IMO updates the values of each Market Participant's IRCR. Premier Power noted that the current rules do not provide Market Customers with the ability to nominate NTDLs or DSM measures for the purpose of these monthly IRCR updates.

Premier Power was concerned that it is not currently possible to nominate a load as non-temperature dependant upon its churn during a Reserve Capacity year. In addition, Premier Power is concerned that when a customer load (or part of it) ceases effective operation during the Reserve Capacity year, under the current Market Rules its IRCR will remain unchanged and thus still be passed onto the retailer for the rest of the Reserve Capacity Year.

Premier Power submitted that, if a customer should have previously been nominated as a NTDL or the load has ceased to consume but the retailer is still being charged an IRCR, customers may incur costs (if these are passed through under their contracts) or retailers may be forced to absorb these costs.

Premier Power proposed to amend the rules to provide Market Customers with the ability to, throughout the year, nominate a load to be determined as a NTDL, provide details of Demand Side Management measures and also nominations of capacity requirements for Intermittent Loads.

### **2.3. The Proposal and the Market Objectives**

Premier Power submitted that the proposed change promotes economic efficiency and minimises the long-term cost to customers in the SWIS.

### **2.4. Amending Rules Proposed by Premier Power**

Premier Power proposed the following amendments to the Market Rules (added words are underlined):

- 4.28.8. To assist the IMO in determining Individual Reserve Capacity Requirements in accordance with clause 4.28.7 and updating Individual Reserve Capacity Requirement in accordance with clause 4.28.11, Market Customers must, by the date and time specified in clause 4.1.23 and no later than by 5:00 PM on the Business Day being twenty Business Days prior to the date and time specified in clause 4.1.28(b), provide to the IMO:
- (a) a list of interval meters associated with that Market Customer that the Market Customer wants the IMO to treat as Non-Temperature Dependent Loads;
  - (b) details of any Demand Side Management measures that the Market Customer has implemented since the previous Hot Season, including the expected MW reduction in peak consumption resulting from those measures; and
  - (c) nominations of capacity requirements for Intermittent Loads, expressed in MW, where the nominated quantity cannot exceed the greater of:
    - i. the maximum allowed level of Intermittent Load specified in Standing Data for that Intermittent Load at the time of providing the data; and
    - ii. the maximum Contractual Maximum Demand expected to be associated with that Intermittent Load during the Capacity Year to which the nomination relates. The Market Customer must provide evidence to the IMO of this

Contractual Maximum Demand level unless the IMO has previously been provided with that evidence.

## **2.5. *The IMO's Initial Assessment of the Proposal***

The IMO decided to proceed with the Proposal on the basis of its preliminary assessment, which indicated that the Proposal was consistent with the Market Objectives. This preliminary assessment was published in a Rule Change Notice on 17 September 2007.

### **3. SUBMISSIONS**

IMO received submissions from Alinta Sales, Landfill Gas and Power, and Synergy. A summary of all submissions is listed below. Section 4 includes IMO's response to the issues raised. The submissions can be found on the IMO website.

#### **3.1. *Market Advisory Committee***

The Market Advisory Committee (MAC) was invited to have preliminary discussions on the Proposal at its meeting on 12 September 2007, before it was formally submitted by Premier Power.

MAC expressed general support of the proposed change. MAC emphasised the importance of adequate measures to be in place to verify that a load is genuinely Non Temperature Dependant. The IMO explained that a check of meter data is conducted for all loads applying to become Non Temperature Dependant.

At the MAC meeting on 10 October 2007, members were invited to express their view on the formal Proposal. MAC supported the change. No member expressed concerns with the proposed Rule Change.

#### **3.2. *Alinta Submission***

Alinta agreed with the proposal to allow more flexibility when retailers can nominate loads to be treated as a NTDL. Alinta considered that the proposed change will better facilitate Market Objectives (b) and (d).

#### **3.3. *Landfill Gas and Power (LGP) Submission***

LGP expressed its support of Premier Power's proposal that the Market Rules should provide for the nomination of NTDLs on a monthly basis rather than annually. LGP considered that this change will better achieve the intent of the Market Objectives by promoting economic efficiency and minimising the long-term cost to customers on the SWIS.

#### **3.4. *Synergy Submission***

Synergy considered that the rule change will encourage competition in the Wholesale Electricity Market and that the change has the potential to create further economic efficiencies within the market.

Synergy also submitted that it is important that the IMO closely monitor requests for IRCR recalculation to ensure that an excess of these requests does not create an inefficient administrative burden to be funded by all Market Participants.

#### **3.5. *Public Forums and Workshops***

No public forums or workshops were held in relation to this Rule Change.



## 4. THE IMO'S ASSESSMENT AND DECISION

### 4.1. Assessment

#### 4.1.1. Submissions

No interested party expressed any concern regarding the proposed change. In their submissions, Alinta, Landfill Gas and Power and Synergy expressed their support for the proposal. The IMO therefore considers that the proposed change has the support of the Participants in the Wholesale Electricity Market.

While supporting the change, Synergy expressed a concern that an excess of requests to have IRCRs recalculated could create a burden and a cost for the Wholesale Electricity Market.

The IMO notes Synergy's concern and, to prevent a large number of opportunistic submissions regarding the same load, proposes to include an additional amendment to only allow one submission per Market Customer for each load in a Capacity Year. This will also avoid Market Customers needing to resubmit the same information to the IMO throughout the year, as would be required under the current drafting of the proposed amendments. Notwithstanding this, if a load churns during the Capacity Year the new retailer will be able to make a submission for this load, even though a submission had previously been made in the same Capacity Year by the old retailer.

In addition to this, an option which was examined by the IMO was to provide the IMO with discretion on whether to reassess a load upon an application from a Market Customer. However, the inclusion of an unequivocal limit was preferred to provide certainty to Market Customers.

#### 4.1.2. Additional Amendments to Clause 4.28.8

During the public submission period the IMO discovered a few minor wording errors in the proposed amendments to clause 4.28.8.

The inserted words "...Reserve Capacity Requirement..." should be "...Reserve Capacity Requirements...".

Also, to clarify the distinction between the yearly provision of data according to clause 4.1.23 and the proposed amendments to allow provision of data each month, for churned loads or loads wishing to be reassessed, the phrase "...by the date and time specified in clause 4.1.23 and no later than by 5:00 PM on the Business Day...." should be changed to "...by the date and time specified in clause 4.1.23 or no later than by 5:00 PM on the Business Day....".

#### 4.1.3. The IMO's Assessment

The IMO' assessment against each of the Market Objectives is as follows:

- (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 IMO considers that the proposed Rule Change supports the achievement of Market Objective (a), by allowing Market Customers churning a load to apply at any point during the year for this load to be classified as a NTDL, rather than delaying the change until the following August. Objective (a) is also supported by ensuring that a IRCR is recalculated when a load is decommissioned or permanently reduced. This ensures an economically efficient treatment of loads throughout the year. In their submissions, Landfill Gas and Power and Synergy supported this assessment.

- (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 encourage competition among retailers by making it more attractive to churn loads that have the potential to be classified as NTDLs during a capacity year. The IMO considers that the proposed change, therefore, supports the achievement of objective (b) of the Market Objectives. In its submission, Alinta supported this assessment.

- (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 proposed Rule Change will increase competition among Retailers and thus contribute to reducing the long-term cost of electricity for customers. The IMO considers that the change supports the achievement 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 proposed Rule Change will allow loads to instantly incur the benefits of introducing demand side management actions, instead of having to wait until the next submission cycle to have their IRCR recalculated. The IMO considers that the change supports the achievement of objective (e) of the Market Objectives.

In accordance with Clause 2.4.3(b) of the Market Rules, in deciding whether or not to make Amending Rules, the IMO must also have regard to the practicality and cost of implementing the Amending Rules.

The proposed changes to clause 4.28.8 will not require changes to the Wholesale Electricity Market System operated by the IMO. No other costs have been identified in relation to this change during the consultation process.

#### **4.2. IMO's Draft Decision**

The IMO's draft decision is to:

- Accept the proposed changes to clause 4.28.8 as proposed by Premier Power. This will amend the clause to allow Participants to submit monthly information for having a load determined as a NTDL, details of Demand Side Management measures and nominations of capacity requirements for Intermittent Loads.
- Further amend clause 4.28.8 as proposed by the IMO in section 4.1.1 of this Report. That is, correct the amendments to clarify that a Market Customer may only make one submission per load during each Capacity Year.

The IMO has made its draft decision on the basis that the resulting amended Rules will allow the Market Rules to better address the Market Objectives.

The wording of the relevant amending Rules is presented in Section 6 of this Report.

## 5. CALL FOR SUBMISSIONS

The IMO wishes to receive submissions regarding this Draft Rule Change Report. The submission period is 20 Business Days from the publication date of this Report. Submissions must be delivered to the IMO by close of business on Monday 24 December 2007.

The IMO prefers to receive submissions by email to [marketadmin@imowa.com.au](mailto:marketadmin@imowa.com.au) using the submission form available on the IMO website:

[http://www.imowa.com.au/10\\_5\\_1\\_b\\_rule\\_change\\_proposal.htm](http://www.imowa.com.au/10_5_1_b_rule_change_proposal.htm)

Submissions may also be sent to the IMO by fax or post, addressed to:

**Independent Market Operator**

Attn: Dora Guzeleva, Manager Market Administration

PO Box 7096

Cloisters Square, Perth, WA 6850

Fax: (08) 9254 4399

## 6. PROPOSED AMENDING RULES

### 6.1. *Clause 4.28.8*

4.28.8. To assist the IMO in determining Individual Reserve Capacity Requirements in accordance with clause 4.28.7 and updating Individual Reserve Capacity Requirements in accordance with clause 4.28.11, Market Customers must, by the date and time specified in clause 4.1.23 or no later than by 5:00 PM on the Business Day being twenty Business Days prior to the date and time specified in clause 4.1.28(b), provide to the IMO:

- (a) a list of interval meters associated with that Market Customer that the Market Customer wants the IMO to treat as Non-Temperature Dependent Loads;
- (b) details of any Demand Side Management measures that the Market Customer has implemented since the previous Hot Season, including the expected MW reduction in peak consumption resulting from those measures; and
- (c) nominations of capacity requirements for Intermittent Loads, expressed in MW, where the nominated quantity cannot exceed the greater of:
  - i. the maximum allowed level of Intermittent Load specified in Standing Data for that Intermittent Load at the time of providing the data; and
  - ii. the maximum Contractual Maximum Demand expected to be associated with that Intermittent Load during the Capacity Year to which the nomination relates. The Market Customer must provide evidence to the IMO of this Contractual Maximum Demand level unless the IMO has previously been provided with that evidence.

where for each Capacity Year a Market Customer may only provide the IMO with the information specified in this clause once with respect to each load.