

Independent Market Operator



Draft Market Rule Change Report

Title: System Management Capacity Test Notification to IMO

Ref: RC_2008_01

Standard Rule Change Process

Date: 27 March 2008

CONTENTS

| | | |
|------|--|----|
| 1. | INTRODUCTION | 2 |
| 1.1. | General Information about Rule Changes..... | 2 |
| 1.2. | About this Rule Change | 2 |
| 2. | THE RULE CHANGE PROPOSAL..... | 4 |
| 2.1. | The Submission..... | 4 |
| 2.2. | Details of the Proposal | 4 |
| 2.3. | The IMO's Initial Assessment of the Proposal | 5 |
| 3. | SUBMISSIONS | 6 |
| 3.1. | Submission from Synergy | 6 |
| 3.2. | Submission from Landfill Gas & Power Pty Ltd | 6 |
| 3.3. | Market Advisory Committee | 6 |
| 3.4. | Public Forums and Workshops | 6 |
| 4. | THE IMO'S ASSESSMENT AND DECISION..... | 7 |
| 4.1. | Assessment..... | 7 |
| 4.2. | IMO's Draft Decision | 8 |
| 5. | CALL FOR SUBMISSIONS | 9 |
| 6. | PROPOSED AMENDING RULES..... | 10 |

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1. INTRODUCTION

1.1. *General Information about Rule Changes*

Clause 2.5.1 of the Wholesale Electricity Market Rules (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 Market Objectives. The market objectives 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.

1.2. *About this Rule Change*

System Management submitted a Rule Change Proposal, on 7 January 2008, regarding changes to clause 4.25.9(e) of the Wholesale Electricity Market Rules.

This Proposal is being processed using the Standard Rule Change Process, described in section 2.7 of the 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 from the date 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 submission period.
- 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 14 January 2008.
- The first Public Submission period on the Rule Change Proposal ended on 25 February 2008.
- This Draft Rule Change Report is published on 27 March 2008.
- The second Public Submission period is from 27 March 2008 to 24 April 2008.
- The Final Rule Change Report will be published by the IMO on 23 May 2008.

Based on the submissions received, the IMO's draft decision is to accept the Rule Change in the proposed form outlined 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 April 2008.

2. THE RULE CHANGE PROPOSAL

2.1. The Submission

System Management submitted a Rule Change Proposal, on 7 January 2008, regarding changes to clause 4.25.9(e) of the Wholesale Electricity Market Rules.

2.1.1. Submission Details

| | |
|---------------------------------|--|
| Name: | Alistair Butcher |
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| Email: | Alistair.butcher@westernpower.com.au |
| Organisation: | System Management |
| Date submitted: | 7 January 2008 |
| Urgency: | Normal rule change process |
| Change Proposal title: | System Management Capacity Test Notification to IMO |
| Market Rule(s) affected: | Clause 4.25.9(e) |

2.2. Details of the Proposal

Market Rule 4.25.9 (e) states that:

In conducting a [Reserve Capacity] test, System Management:

- (a) ...
- (e) must report to the IMO whether the test was successful, and if not, report the generation achieved by the Facility during the test;

This clause currently imposes an obligation for System Management to report to the IMO whether a reserve capacity verification test was successful. System Management submits that it is unable to comply with this obligation, as it only has access to SCADA data – rather than meter data – and, in any event, does not have access to temperature curves used by the IMO to compare plant performance at variable temperatures with the reserve capacity obligation at 41 degrees Celsius.

System Management submits that this provision should be amended to more accurately reflect what System Management is able to do. System Management proposes that the clause be limited to only require System Management to report whether the test was successfully *performed*.

The changes proposed by System Management are outlined in section 6 of this Report.

2.3. *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 Wholesale Market Objectives. This preliminary assessment was published in a Rule Change Notice on 14 January 2008.

3. SUBMISSIONS

The IMO received two submissions, one from Synergy and one from Landfill Gas & Power Pty Ltd (LGP), on the changes proposed by System Management. The submissions are summarised below, and the full text of the submissions is available on the IMO website.

3.1. Submission from Synergy

Synergy submitted that it viewed System Management's proposal as having some technical merit and did not foresee any material adverse impacts on Synergy's operations.

Synergy also accepted the System Management's view that the proposed rule change would increase the certainty of the application of the rules

Synergy identified no significant cost increases in implementing the rule change proposal, and indicated that implementation of the rule change proposal would not take a protracted period of time to implement.

Synergy expressed support for the proposal at this stage.

3.2. Submission from Landfill Gas & Power Pty Ltd (LGP)

In its submission LGP supported System Management's proposal, that it should be required to report only whether a Reserve Capacity test was successfully *performed* and not to draw conclusions from the test results, on the grounds that System Management should not be required to perform activities that it cannot satisfactorily fulfill.

LGP expressed its support for System Management's contention that the rule change would increase the certainty of the application of the rules, and aid economically efficient outcomes through the removal of an obligation which cannot be satisfied.

3.3. Market Advisory Committee

The Market Advisory Committee (MAC) was first advised of the proposed rule change at its meeting on 12 December 2007. At this meeting MAC expressed general support for this proposal. No member expressed concerns with the proposed changes.

At the MAC meeting on 13 February 2008, members were invited to express their view on the formal Proposal. All members of MAC supported the Rule Change. No member expressed concerns with the proposed changes.

3.4. 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

All responding parties expressed support for the Rule Change Proposal. No party proposed any changes to the proposed amendments to the Market Rules.

4.1.2. The IMO's Assessment

According to clauses 2.4.2 of the Market Rules *“the IMO must not make Amending Rules unless it is satisfied that the Market Rules, as proposed to be amended or replaced, are consistent with the Wholesale Market Objectives”*.

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 making the proposed amendments to clause 4.25.9(e) will increase the certainty of the application of the Market Rules, and thereby aid economically efficient outcomes through the removal of an obligation which cannot be satisfied.

The IMO considers that the proposed changes are, therefore, consistent with the operation of market objective (a).

- (b) *to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors.*

The IMO considers that the proposed changes do not impact on, and therefore are consistent with, the operation of market objective (b).

- (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 market objective (c).

- (d) *to minimise the long-term cost of electricity supplied to customers from the South West interconnected system*

The IMO considers that the proposed changes do not impact on, and therefore are consistent with, the operation of market objective (d).

- (e) *to encourage the taking of measures to manage the amount of electricity used and when it is used.*

The IMO considers that the proposed changes do not impact on, and therefore are consistent with, the operation of market objective (e).

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 will not require any changes to the Wholesale Electricity Market Systems operated by the IMO. No other costs have been identified in relation to the implementation of the proposed changes.

4.2. IMO's Draft Decision

The IMO's draft decision is to:

- Accept the proposed changes to clause 4.25.9(e) of the Wholesale Electricity Market Rules, as proposed by System Management.

The IMO has made its draft decision on the basis that the resulting Amending Rules will allow the Market Rules to better address the Wholesale 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 Thursday, 24 April 2008.

The IMO prefers to receive submissions by email to 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

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

Independent Market Operator

Attn: Manager Market Administration

PO Box 7096

Cloisters Square, Perth, WA 6850

Fax: (08) 9254 4399

6. PROPOSED AMENDING RULES

System Management proposes the following amendments to the Market Rules (added words are underlined and deletions are shown with strikethrough):

- 4.25.9 In conducting a test, System Management:
- (a) ...
 - ...
 - (e) must report to the IMO whether the test was successfully performed, ~~and if not, report the generation achieved by the Facility during the test;~~