

Independent Market Operator

Rule Change Process

Workshop, RC_2008_12 Dispatch Support and Ancillary Services

Location:	ERIU Conference Room Level 8, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date:	Thursday 28 February 2008
Time:	Commencing at 2.00pm to 4.00pm

Attendees	
Kristian Myhre	Alinta
Robert Pullella	Economic Regulation Authority
John Lillywhite	Economic Regulation Authority
Shane Cremin	Griffin Power
Dora Guzeleva	IMO
Magnus Stensson	IMO
Ivona Okuniewicz	Office of Energy
Phil Kelloway	System Management
Alistair Butcher	System Management
Andrew Sutherland	Transalta
Andrew Everett	Verve Energy
Apologies	
Ronny Garg	Synergy
Neil Gibbney	Western Power

Item	Subject	Action
1.	<p>INTRODUCTION</p> <p>System Management presented the agenda for the meeting. The three items to be covered were:</p> <ul style="list-style-type: none"> • A brief overview of Dispatch Support. What it is and why it's needed • Consultation on the proposed Rule Change • Consultation on the proposed arrangement with Verve Energy regarding Dispatch Support for Mungarra GT's, Kalgoorlie and Geraldton. 	
2.	<p>OVERVIEW OF DISPATCH SUPPORT</p> <p>System Management explained the concept of Dispatch Support. Currently, there are three main areas in the SWIS where because of transmission constraints there is a need for Dispatch Support Services:</p> <ul style="list-style-type: none"> ▪ The 220 KV line between Meredin Terminal and West Kalgoorlie is radial and local Gas Turbines (GT's) must be run to meet load and maintain ancillary services when the line is out of service. ▪ Import capacity of North Country lines is limited by conductor rating and stability considerations. Mungarra GT is required to be run every day to support load in the area. ▪ Geraldton - if both lines between Mungarra and Geraldton have tripped then System Management runs the Geraldton GT to restore supply. <p>The proposal aims to provide for Dispatch Support contracts to be entered by System Management whenever the need arises, with Verve Energy or any other provider.</p>	
3.	<p>PROPOSED MARKET RULE CHANGES</p> <p>In regard to the Rule Change Proposal itself, the workshop discussed the following issues:</p> <ul style="list-style-type: none"> • The proposed new clause 3.11.8A mentions contracts for Load Rejection Reserve and System Restart, not only Dispatch Support. It was suggested that the rule should only deal with Dispatch Support and leave the other two services out of this change. System Management explained that the reason for including the other two service types as well was for consistency with clause 3.11.8, so that all Ancillary Service types are covered. • The proposed wording of the new clause 3.11.8B can be interpreted to read that the ERA must approve all types of Ancillary Service Contracts. It was proposed to clarify that the approval only applies to Dispatch Support contracts. • Additionally, in regard to approving the contracts, the ERA indicated that the proposed wording of clause 3.11.8C could be interpreted to read that the ERA was to approve the entire 	

	<p>contract, including all wording and legal terms. It was agreed that this wasn't the intent and the draft should be amended. The ERA's responsibility is to review whether a Dispatch Support contract will achieve the lowest practicably sustainable cost of delivering the services.</p> <ul style="list-style-type: none"> The ERA questioned the appropriateness of the 20 day time limit proposed in clause 3.11.8C. It argued that this time is too short if it undergoes a public consultation process, which in itself normally takes 20 days. Also, the limit may not allow the ERA to request, receive and analyse additional information from the applicant if this is needed to make a thorough assessment of the contract. ERA proposed to remove the time limit altogether. System Management argued that a maximum time limit should be prescribed, in order to make sure all contract assessments finish within a reasonable time. The workgroup proposed that, in order to avoid over prescriptions in the Rules, the time limit should be removed from the proposal. If future experiences reveal the need for a time limit, this can be proposed in a new Rule Change Proposal. ERA asked if the proposed new clause 3.11.8D could be shortened to only include the first sentence. However, in order to provide the ERA with means to justify expediting a contract assessment without a public consultation process, it was agreed to keep the rest of the proposed clause, but replace the words "in particular" with "including". The workshop also asked how the monthly payments for Dispatch Support contracts would be specified to participants. The IMO and System Management explained that they would be provided to the IMO as a lump sum in the Cost LRD component. In the short term, the Cost LRD component will only include System Restart payments (\$250,000 per year) plus the proposed Dispatch Support payments for Mungarra GT's, Kalgoorlie and Geraldton, making it easy to identify the individual costs. It was requested that in the future, when more Dispatch Support contracts come into service, for transparency, these costs should be provided by System Management as separate components. This may require a new rule change. It was also proposed that System Management should amend its procedures to provide participants with information about Dispatch Support instructions issued out of merit. Currently participants do not know when a dispatch instruction is issued specifically for Dispatch Support purposes. <p>The IMO will modify the proposed amending rules as suggested by the workshop and propose the new wording in the Rule Change Report.</p>	IMO
4.	<p>THE PROPOSED ARRANGEMENT WITH VERVE ENERGY FOR MUNGARRA GT</p> <p>System Management presented the proposed contract arrangements for Verve Energy's provision of Dispatch Support for Mungarra GT's, Kalgoorlie and Geraldton. As part of the Economic Regulation Authority's public consultation process on the contract, attendees were requested to provide their views on the key pricing principles as presented by System Management. The general terms of the contract are:</p>	

	<ul style="list-style-type: none"> • The contract will compensate Verve Energy for the costs incurred in “out of merit” dispatch for dispatch support purposes. This means that Verve Energy will receive payments commensurate with compensating it for additional costs incurred through the dispatch of less efficient units. • The compensation is proposed to be calculated according to the formula of: <ul style="list-style-type: none"> • (MWh generated in trading interval when machine dispatched for dispatch support) multiplied by (Short Run Marginal Cost, (SRMC), of unit minus MCAP) • The ERA will assess and approve SRMC values for Mungarra, West Kalgoorlie and Geraldton facilities. • System Management will advise the IMO of the total cost for Dispatch Support provided in each trading month. <p>No attendee objected to the proposed cost principles. It was agreed that Verve Energy should receive compensation according to the proposal.</p> <p>A general discussion followed regarding the appropriate value of SRMC. It was also questioned whether the Rule Change Proposal as published will allow the ERA to assess the value of SRMC. There was a risk that the rules as drafted will only allow the ERA to approve the process followed, not the relevant costs.</p> <p>It was agreed that the IMO will redraft of the amending rules, to clarify that the ERA should approve the cost principles (i.e. the value of SRMC).</p>	IMO
5.	<p>CLOSED</p> <p>The workshop was declared closed at 4pm.</p>	