



**Draft Rule Change Report**  
**Title: Intermittent Load Refund**  
**Maximum**

Ref: RC\_2008\_25

Standard Rule Change Process

Date: 31 October 2008

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## Independent Market Operator

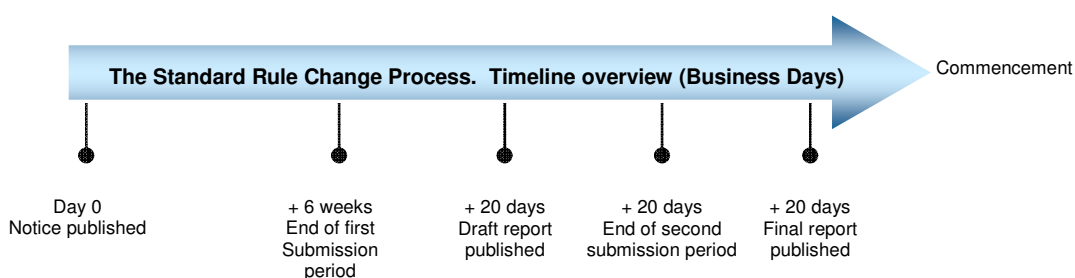
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## 1. INTRODUCTION

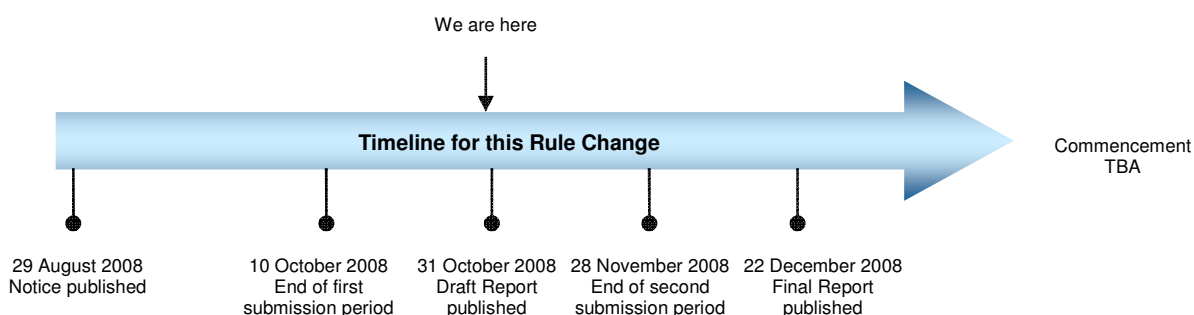
On 28 August 2008 the Independent Market Operator (IMO) submitted a Rule Change Proposal regarding changes to clause 4.28A.1 of the Wholesale Electricity Market Rules (Market Rules).

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 key dates in processing this Rule Change Proposal are:



Based on the submissions received, the IMO's draft decision is to implement the Rule Change Proposal in the 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 28 November 2008.

## 2. THE RULE CHANGE PROPOSAL

### 2.1. Submission Details

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<b>Address:</b>	197 St George's Terrace, Perth WA 6000
<b>Date submitted:</b>	28/08/2008
<b>Urgency:</b>	Medium
<b>Change Proposal title:</b>	Intermittent Load Refund Maximum

### 2.2. Details of the Proposal

The IMO submitted that clause 4.28A.1 determines the Intermittent Load Refund. An Intermittent Load is normally served by its own generator and as such it has a significantly reduced Individual Reserve Capacity Requirement (IRCR) payment obligation. Occasionally the Intermittent Load could draw from the system, for example, when its generator is experiencing a full or partial outage. When this happens the Intermittent Load is liable for a payment – the Intermittent Load Refund.

In its proposal, the IMO stated that a Market Customer who registered an Intermittent Load could reduce the refund by nominating a capacity requirement for the Intermittent Load. The IMO explains that an IRCR is then determined from the nominated capacity requirement but is limited to a contribution to the system's reserve margin.

The IMO submitted that the Intermittent Load Refund is determined through the steps outlined below. The Trading Interval refund is first determined in accordance with either (a) or (b) and then summed up over the Trading Intervals in the Trading Month and over all Intermittent Loads registered by the Market Participant. The refund is then capped under (c).

- a) If the generator serving the Intermittent Load is on a planned outage then:
  1. If the Intermittent Load draws from the system less than 103% of its nominated capacity requirement then the refund capacity is zero.
  2. If the Intermittent Load draws from the system more than 103% of its nominated capacity requirement then the refund capacity is its excess draw from the system over 103% of its nominated capacity requirement.
- b) If the generator serving the Intermittent Load is not on a planned outage then:

1. If the Intermittent Load is not drawing on the system or draws less than 3% of its nominated capacity requirement then the refund capacity is zero.
  2. If the Intermittent Load draws from the system more than 3% of its nominated capacity requirement then the refund capacity is its excess draw from the system over 3% of its nominated capacity requirement.
- c) The total participant refund for a Trading Month is determined from summing up the refunds determined under either (a) or (b) above for all the Intermittent Loads registered by the participant and using the same refund rates applicable to Scheduled Generators. It is then capped at no more than the maximum determined in accordance with (d) below.
- d) The monthly maximum refund for a participant is the 12-month value of its nominated capacity requirements for its Intermittent Loads calculated at the Monthly Reserve Capacity Price less the cumulative refunds the participant has made since the start of the Capacity Year.

The cap in (d) above mimics the maximum refund that applies to generators.

However, the IMO posited that in the case of an Intermittent Load there is no reserve capacity supplied into the market. The Intermittent Load is not earning a Reserve Capacity Credit payment that has to be refunded to the market when the reserve capacity is not supplied. The Intermittent Load Refund is not a refund as in the case of a generator but a payment for the use of reserve capacity provided by the market. It is not appropriate to cap refunds in the case of an Intermittent Load and clause 4.28A.1(b) should therefore be removed.

According to the IMO, as the Market Rules are currently worded, this maximum refund is set by the same nominated capacity requirement. This forces the nominated capacity requirement to determine both the level the Market Customer has chosen to draw from the market, in anticipation of its Intermittent Load generator planned outage, and the refund cap. The refund the market is entitled to from the Intermittent Load when the Intermittent Load is drawing from the system should also cover the excess load the Intermittent Load is drawing over the capacity the Intermittent Load has nominated. The maximum the Intermittent Load can draw from the system is its maximum consumption capability – the physical maximum. It is not appropriate to cap this by the capacity the Market Customer has nominated in registration.

The IMO's rule change proposal was to remove the refund cap in the case of Intermittent Loads.

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

The IMO's assessment on how these amendments will allow the Market Rules to better address the market objectives is contained in section 4.1.2 of this Report.

### **2.4. Amending Rules proposed by the IMO**

The amendments to the Market Rules proposed by the IMO are outlined in section 6 of this report.

## **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 Wholesale Market Objectives. This preliminary assessment was published in a Rule Change Notice on 29 August 2008.

### **3. SUBMISSIONS**

The IMO received one submission on the Rule Change proposal from Landfill Gas & Power Pty Ltd (LGP). The submission is summarised below, and the full text is available on the IMO website.

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

The Market Advisory Committee (MAC) discussed the proposed rule change at two consecutive meetings, 8 August 2008 and 10 September 2008. MAC supported the rule change as proposed, with a minor typographical amendment agreed at the second meeting (removing the brackets from 4.28A.1(c)(i) of the amending rules). MAC agreed that the Rule Change Proposal should be formally submitted by the IMO.

#### **3.2. *Submission from LGP***

LGP supported the proposed Rule Change on the premise that it is not appropriate for an Intermittent Load to have its capacity refunds (that is, payments to the market) capped as though the load were a generator at a capacity nominated by the load itself. Rather the load should pay for the utilization of system capacity on the basis of its actual draw.

#### **3.3. *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 parties responding to the IMO's invitation for submissions expressed support for the Rule Change Proposal.

#### 4.1.2. The IMO's Assessment

According to clause 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 considers that the proposed Amending Rules will have the following impact on how the Market Rules address the Wholesale Market Objectives:

Impact	Wholesale Market Objectives
Allow the Market Rules to better address objective	a
Consistent with objective	b, c, d and e
Inconsistent with objective	-

The IMO's assessment against market objective (a) 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 proposed rule change supports this objective by ensuring that Intermittent Loads contribute to a more equitable share of the reserve capacity cost.

It will be necessary to make some changes to the IMO settlement systems in implementing this rule change. The IMO has obtained a quote from its systems support vendor for AUD \$590 (USD \$400) to carry out the system changes.

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 implement the proposed amendments to 4.28A.1 in order to remove the refund cap which currently applies to intermittent loads.

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 invites Market Participants to make submissions on this Draft Rule Change Report and proposed Rule Change. 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 Friday 28 November 2008.

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: Manager Market Administration  
PO Box 7096  
Cloisters Square, Perth, WA 6850  
Fax: (08) 9254 4399

## 6. PROPOSED AMENDING RULES

The IMO proposes to implement the following new clauses to the Market Rules (~~deleted words, added words~~):

- 4.28A.1 The IMO must determine for each Intermittent Load registered to Market Participant p the amount of the refund (“Intermittent Load Refund”) to be applied for each Trading Month m in respect of that Intermittent Load as the sum over all Trading Intervals t of Trading Day d in the Trading Month m of the product of: ~~using the methodology for determining Capacity Cost Refunds as described in clause 4.26.3 assuming:~~
- (a) ~~that~~ the applicable value of Y in the Refund Table described in clause 4.26.1 is that which applies for Scheduled Generators; and
  - (b) ~~that the Maximum Refund defined in the Refund Table described in clause 4.26.1 is, for a given Intermittent Load and Trading Month, set to equal the value of Reserve Capacity payments that would have been made to the generation system described in clause 2.30B.2(a) for the 12 Trading Months commencing at the start of the Trading Day of the previous 1 October assuming that the IMO had procured Reserve Capacity from it for each of those months equal to the quantity nominated for that Intermittent Load by its Market Customer in accordance with clause 4.28.8(c) at the prevailing Monthly Reserve Capacity Price.~~
  - (c) ~~that~~ the Capacity Shortfall for Trading Interval t of Trading Day d and Trading Month m which is the greater of zero and:
    - i. double the MWh of the Intermittent Load metered during that Trading Interval (where for the purpose of this calculation the metered amount should be defined at the meter rather than being Loss Factor adjusted so as to be measured at the Reference Node), less;
    - ii. if the generating system described in clause 2.30B.2(a) is undergoing a Planned Outage or a Consequential Outage, the quantity nominated for that Intermittent Load by its Market Customer in accordance with clause 4.28.8(c); less
    - iii. 3% of the quantity nominated for that Intermittent Load by its Market Customer in accordance with clause 4.28.8(c); less
    - iv. for Trading Intervals where the temperature data described in clause 4.28A.2 shows a temperature in excess of 41°C and the generating system described in clause 2.30B.2(a) is not undergoing a Planned Outage, Forced Outage or a Consequential Outage, the capacity reduction, if any, specified in accordance with clause 2.30B.3(b)(i).

## 7. GENERAL INFORMATION ABOUT RULE CHANGE PROPOSALS

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 Rule Change Process or a Fast Track Rule Change 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.