



**Independent Market Operator**

**Rule Change Notice**

**Title: Intermittent Load  
Refund Maximum**

**Ref: RC\_2008\_25**

**Standard Rule Change Process**

**Date: 29 August 2008**

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## 1. THE RULE CHANGE PROPOSAL

### 1.1. *The Submission*

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

This Rule Change Notice is published according to Market Rule 2.5.7, which requires the IMO to publish a notice within 7 Business Days of receiving a Rule Change Proposal.

#### 1.1.1 Submission details

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<b>Date submitted:</b>	28/08/2008
<b>Urgency:</b>	Medium
<b>Change Proposal title:</b>	<b>Intermittent Load Refund Maximum</b>

### 1.2. *Details of the Proposal*

The IMO submits 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 states 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 submits 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:
  - i. If the Intermittent Load draws from the system less than 103% of its nominated capacity requirement then the refund capacity is zero

- ii. 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:
  - i. 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
  - ii. 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 posits 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 is to remove the refund cap in the case of Intermittent Loads.

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

The IMO submits that the proposal supports market objective (a):

*(a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system.*

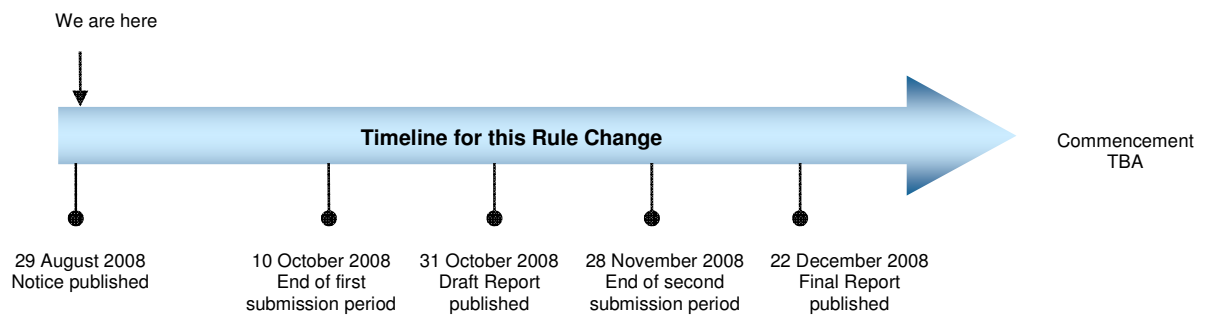
The proposed rule change supports this objective by ensuring that Intermittent Loads contribute to a more equitable share of the reserve capacity cost.

## 2. WHETHER THE PROPOSAL WILL BE PROGRESSED FURTHER

The IMO has decided to proceed with this proposal on the basis that the IMO's preliminary assessment indicated that the proposal is consistent with the Wholesale Market Objectives.

The IMO has decided to process this Rule Change Proposal using the Standard Rule Change Process, described in section 2.7 of the Market Rules.

The projected timelines for processing this proposal are:



### 3. CALL FOR SUBMISSIONS

The IMO is seeking submissions regarding this proposal. The submission period is six weeks from the publication date of this notice. Submissions must be delivered to the IMO by close of business on **Friday 10 October 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\\_MarketRulesChangeSummary.html](http://www.imowa.com.au/10_5_1_MarketRulesChangeSummary.html)

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

## 4. PROPOSED AMENDING RULES

The IMO proposes the following amendments 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).

## 5. ABOUT RULE CHANGE PROPOSALS

Market Rule 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 submit this to the Independent Market Operator (IMO).

The IMO will assess the proposal and, within 5 Business Days of receiving the proposal form, will notify the proponent whether the proposal will be progressed further.

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; and
- (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, while the fast track process involves the IMO consulting with Rule Participants who either advise the IMO that they wish to be consulted or the IMO considers have an interest in the change.