



Independent Market Operator

Rule Change Notice

**Title: Eligible services for
Supplementary Reserve
Capacity**

Ref: RC_2008_28

Standard Rule Change Process

Date: 12 September 2008

CONTENTS

1. THE RULE CHANGE PROPOSAL	3
1.1. The Submission	3
1.2. Details of the Proposal	3
1.3. The Proposal and the Wholesale Market Objectives	4
2. WHETHER THE PROPOSAL WILL BE PROGRESSED FURTHER	5
3. CALL FOR SUBMISSIONS.....	6
4. PROPOSED AMENDING RULES	7
5. ABOUT RULE CHANGE PROPOSALS	8

DOCUMENT DETAILS

IMO Notice No.: RC_2008_28
Report Title: Rule Change Notice: Eligible Services for Supplementary Reserve Capacity
Release Status: Public
Confidentiality Status: Public domain
Published in accordance with Market Rule 2.5.7

Independent Market Operator
Level 3, Governor Stirling Tower
197 St George's Terrace, Perth WA 6000
PO Box 7096, Cloisters Square, Perth WA 6850
Tel. (08) 9254 4300
Fax. (08) 9254 4399
Email: imo@imowa.com.au
Website: www.imowa.com.au

1. THE RULE CHANGE PROPOSAL

1.1. The Submission

On 11 September 2008 the Independent Market Operator (IMO) submitted a Rule Change Proposal regarding changes to clauses 4.24.3 and 4.24.15 of 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

Name:	Allan Dawson
Phone:	+61 8 9254 4300
Fax:	+61 8 9254 4399
Email:	imo@imowa.com.au
Organisation:	<i>Independent Market Operator</i>
Address:	Level 3, Governor Stirling Tower, 197 St George's Terrace
Date submitted:	<i>11 September 2008</i>
Urgency:	<i>High</i>
Change Proposal title:	Eligible services for Supplementary Reserve Capacity

1.2. Details of the Proposal

This rule change proposal has been borne out of the Supplementary Reserve Capacity (SRC) Working Group's deliberations on what services should be eligible to partake in the SRC process.

Currently the Market Rules confine these eligible services to:

- (a) load reduction, that is measures to reduce a consumer's consumption of electricity supplied through the SWIS, but excluding reductions associated with the operation of Registered Facilities (including Registered Loads); and
- (b) the generation of electricity by generation systems that are not Registered Facilities.

The Working Group unanimously agreed that the core objective of SRC is to ensure reliability while maintaining economic efficiency. With this in mind, the Working Group has decided to allow some Registered Facilities to participate in the SRC process. However, the Working Group decided to limit the participation of Registered Facilities to those that are unlikely to be in a position to take undue advantage of the SRC process.

Under this rule change proposal, the IMO submitted that the Registered Facilities which are permitted to enter the SRC process include those facilities with spare capacity (i.e. capacity that does not hold Capacity Credits) in the current Reserve Capacity cycle but which hold Capacity

Credits for future cycles. The IMO explained that this condition is necessary so as to prevent Registered Facilities with Capacity Credits in previous Reserve Capacity cycles from withholding them from the normal Capacity Credit processes so as to activate the SRC process and benefit from much higher prices.

The IMO's rule change proposal also clarifies that Market Customers with a Demand Side Program that have failed to satisfy their Reserve Capacity Obligations in accordance with clause 4.8.3(d) cannot participate in the SRC process.

The IMO stated that a regular review of the SRC process against the market objectives was suggested by the Working Group given the fact that the use of SRC may place a considerable financial burden on the market and that it was intended to be very infrequent event.

The IMO proposed that clause 4.26.15 be added stipulating that a review must follow each call for tenders of SRC where that review must entail an assessment of the appropriateness of the provisions pertaining to SRC under clause 4.24 and a public consultation process seeking to garner feedback on the outcome of the review.

1.3. *The Proposal and the Wholesale Market Objectives*

The IMO submits that the Rule Change Proposal will have the following impact on the market objectives:

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

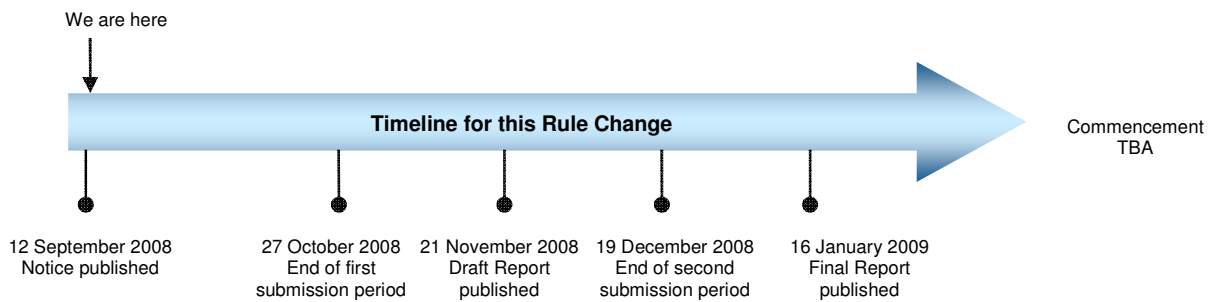
The IMO submits that the proposal supports market objective (a) by ensuring that if SRC is called, the appropriate capacity will be available to participate in the process.

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 **Monday 27 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

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):

4.24.3. The only eligible sources of supplementary capacity are the following services (“**Eligible Services**”):

- (a) load reduction, that is measures to reduce a consumer’s consumption of electricity supplied through the SWIS, but excluding reductions associated with the operation of Registered Facilities (including registered Loads) or reductions provided by a Market Customer with a Demand Side Programme that does not satisfy its Reserve Capacity Obligations for the current Reserve capacity Cycle in accordance with clause 4.8.3(d) at the time the IMO seeks to acquire supplementary capacity; and
- (b) the generation of electricity by generation systems that are not Registered Facilities;
- (c) the generation of electricity by generation systems, or load reductions provided by loads, that are Registered Facilities but only to extent that:
 - (i) the electricity is generated, or the load reduction is provided, by capacity for which the relevant Market Participant does not hold Capacity Credits in the current Reserve Capacity Cycle; and
 - (ii) the electricity is not generated, or the load reduction is not provided, by capacity which has provided Capacity Credits in the current Reserve Capacity Cycle or a previous Reserve Capacity Cycle; and
 - (iii) the electricity is generated or the load reduction is provided, by capacity for which the relevant Market Participant holds Capacity Credits in a subsequent Reserve Capacity Cycle.

4.24.15. Following each call for tenders for supplementary capacity or otherwise acquiring Eligible Services, the IMO must review the Supplementary Reserve Capacity provisions of this section 4.24 of the Market Rules with regard to the Wholesale Market Objectives and must undertake a public consultation process in respect of the outcome of the review.

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.