



Draft Rule Change Report
Title: Change to Curtailable Load de-
registration timeframe

Ref: RC_2008_29

Standard Rule Change Process

Date: 21 November 2008

CONTENTS

1.	INTRODUCTION	2
2.	THE RULE CHANGE PROPOSAL.....	3
2.1.	Submission Details.....	3
2.2.	Details of the Proposal	3
2.3.	The Proposal and the Wholesale Market Objectives	4
2.4.	Amending Rules proposed by the IMO	4
2.5.	The IMO's Initial Assessment of the Proposal	4
3.	SUBMISSIONS	5
3.1.	Public Forums and Workshops	5
3.1.1	Market Advisory Committee	5
3.2.	Submission from LGP	5
3.3.	Submission from Synergy	5
3.4.	Submission from Alinta.....	5
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
7.	GENERAL INFORMATION ABOUT RULE CHANGE PROPOSALS	11

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Independent Market Operator

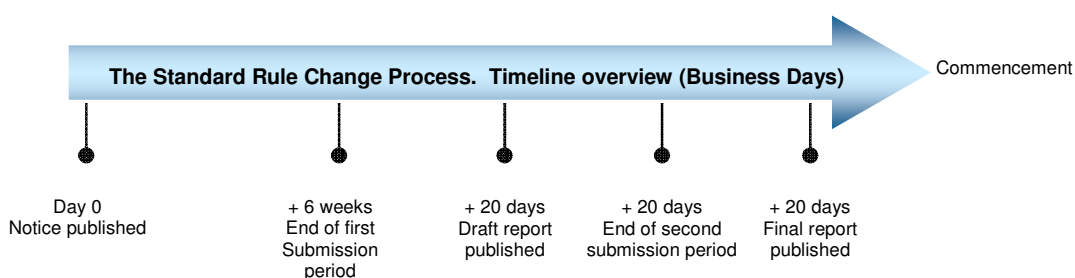
Level 3, Governor Stirling Tower
197 St George's Terrace, Perth WA 6000
PO Box 7096, Cloisters Square, Perth WA 6850
Tel. (08) 9254 4300
Fax. (08) 9254 4399
Email: imo@imowa.com.au
Website: www.imowa.com.au

1. INTRODUCTION

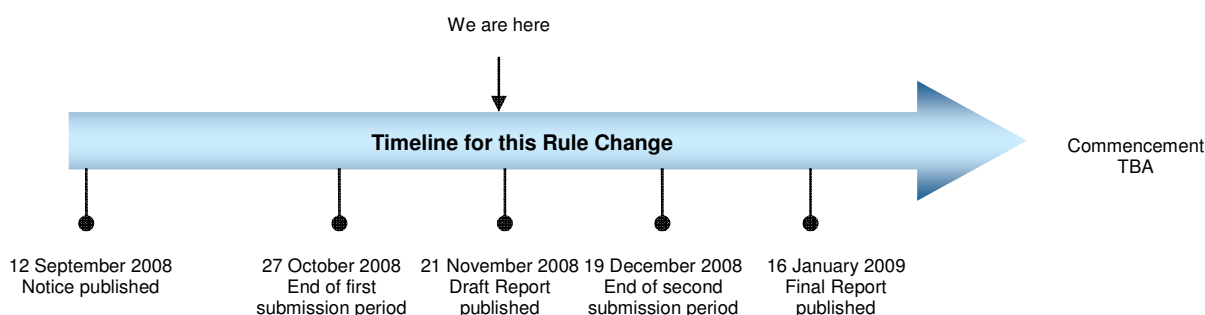
On 11 September 2008 the Independent Market Operator (IMO) submitted a Rule Change Proposal regarding a change to clause 2.33.4(d) of the Wholesale Electricity Market Rules (Market Rules).

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 timeline, the deadline for submissions is 19 December 2008.

2. THE RULE CHANGE PROPOSAL

2.1. 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:	Change to Curtailable Load de-registration timeframe

2.2. Details of the Proposal

The IMO submitted changes to the Market Rules to allow a facility that is a (curtailable) load, which is associated with a DSM Programme, to be de-registered not earlier than *one month* after the date of application.

The IMO noted that under clause 4.8.3(b), Curtailable Loads in a DSM programme contribute towards satisfying the relevant Reserve Capacity Obligations of the DSM programme. These Curtailable Loads can 'churn' which would involve one Market Customer losing their load to another Market Customer while still retaining the Reserve Capacity Obligations of the load. If this occurs, the Market Customer that has lost their load to 'load churn' would be unable to meet the Reserve Capacity Obligations of that load. The proposed amendments to clause 2.33.4(d) will enable the de-registration of the churned load within one month of application and bring on other loads to meet the outstanding Reserve Capacity Obligations.

The IMO posits that the proposed change will protect Market Customers from having to retain the obligations of the load for six months without being able to satisfy those obligations. Additionally, the proposed amendments will both facilitate participation in DSM through the removal of the existing risk to retailers and ensure that retailers with DSM programs can effectively fulfil their Reserve Capacity Obligations by drawing on other available loads in place of churned curtailable 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 IMO proposes the following amendments to the Market Rules (~~deleted words~~, added words):

- 2.33.4. The Facility de-registration form prescribed by IMO must require that the applicant provide the following:
- (a) the relevant non-refundable Application Fee;
 - (b) identification of the Registered Facility to which the application relates;
 - (c) Information as to whether the Registered Facility is being;
 - i. decommissioned; or
 - ii. moth-balled or placed in reserve shut-down, in which case information on the time required to return the Registered Facility to service should be included;
 - (d) a proposed date on which that Registered Facility is to cease to be registered in the name of that Rule Participant where that date must be;
 - i. not earlier than six months after the date of application if the Facility will cease operation; or
 - ii. the date the application is accepted in the event that the Facility has been rendered permanently inoperable; ~~and~~ or
 - iii. not earlier than one month after the date of application if the Facility is a Curtailable Load, which is associated with a Demand Side Programme and has been registered in accordance with clause 4.8.3; and
 - (e) such other information as the IMO considers it requires to process the application; and
 - (f) a statement that the information provided is accurate.

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 12 September 2008.

3. SUBMISSIONS

During the first public submission period the IMO received submissions from Landfill Gas & Power Pty Ltd (LGP), Synergy and Alinta. The details of the submissions received during the submission period and the outcomes from any discussions of the proposal at public forums and workshops are summarised below. The full text of the public submissions is also available on the IMO web site.

3.1. *Public Forums and Workshops*

No public forums or workshops were held in relation to this Rule Change. The Rule Change Proposal was discussed at the Market Advisory Committee (MAC) meetings

3.1.1 *Market Advisory Committee*

The Market Advisory Committee (MAC) was first advised of the proposed rule change at its meeting on 10 September 2008, before it was formally submitted by the IMO. At the meeting, MAC was in general support of the proposal and of the IMO submitting it as a formal Rule Change Proposal.

MAC members were also invited to discuss the proposal at the MAC meeting on 8 October 2008, after the proposal had been published on the IMO web site. All members of MAC expressed their support for the Rule Change.

3.2. *Submission from LGP*

LGP supported the proposed Rule Change on the grounds that it facilitates retailer participation in DSM. This is achieved through the removal of the risk to retailers that they will retain the DSM obligations attached to a particular load for six months after the load has transferred to another retailer. This change will also ensure that retailers with DSM Programs can effectively fulfil their Reserve Capacity Obligations by drawing on other available loads in place of churned curtailable loads.

3.3. *Submission from Synergy*

Synergy supported the proposed Rule Change on the grounds that it supports the operation of the Market Objectives. Specifically, Synergy viewed that the proposal supports market objective (a) by promoting the economically efficient supply of electricity in the South West Interconnected System. This proposal will have the effect of ensuring that Market Customers can effectively fulfil their Reserve Capacity Obligations by drawing on other available loads in place of churned curtailable loads. Synergy also viewed that the proposal supports Objective (e) as it encourages the participation of DSM Programs within the marketplace.

3.4. *Submission from Alinta*

Alinta agreed with the Rule Change Proposal on the grounds that it would promote achievement of Market Objective (b) of the Market Rules and not be an impediment to any of the other objectives. Specifically, Alinta viewed that in the event that a retailer with a DSM programme loses a customer through churn which is also contributing towards a

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DSM requirement, the retailer should be allowed to substitute the lost customer with another customer as soon as possible. Alinta welcomed the proposed reduction from 6 months to 1 month for de-registering a Curtailable Load, but also questioned whether there was any genuine need to impose any restriction on the timetable for the de-registration of a Curtailable Load.

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 albeit with a question from Alinta over the need to impose any restriction on the timetable for de-registration of a Curtailable Load outlined in section 3.4.

In response to the suggestion to eliminate the minimum deregistration timeframe of one month, System Management requested that it be retained and the IMO is supportive of this position given that there are administrative and operational impacts associated with deregistration of Facilities which will impact on both System Management and the IMO.

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, and e
Consistent with objective	b, c, and d
Inconsistent with objective	-

The IMO's assessment against market objectives (a) and (e) 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 amendments allow the market rules to better address market objective (a) by ensuring that retailers can effectively fulfil their Reserve Capacity Obligations by drawing on other available loads in place of churned curtailable loads.

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

The proposed amendments allow the market rules to better address market objective (e) as it encourages participation in DSM Programmes by reducing the risk to retailers.

The IMO submits that the proposal is consistent with the remaining market objectives.

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 do not require any change 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 implement the proposed amendments to clause 2.33.4(d) which have been approved by MAC.

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 19 December 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

The IMO proposes to implement the following amendments to the Market Rules (added words are underlined and deletions are shown with a ~~strike through~~):

- 2.33.4. The Facility de-registration form prescribed by IMO must require that the applicant provide the following:
- (a) the relevant non-refundable Application Fee;
 - (b) identification of the Registered Facility to which the application relates;
 - (c) Information as to whether the Registered Facility is being;
 - i. decommissioned; or
 - ii. moth-balled or placed in reserve shut-down, in which case information on the time required to return the Registered Facility to service should be included;
 - (d) a proposed date on which that Registered Facility is to cease to be registered in the name of that Rule Participant where that date must be;
 - i. not earlier than six months after the date of application if the Facility will cease operation; or
 - ii. the date the application is accepted in the event that the Facility has been rendered permanently inoperable; ~~and~~ or
 - iii. not earlier than one month after the date of application if the Facility is a Curtailable Load, which is associated with a Demand Side Programme and has been registered in accordance with clause 4.8.3; and
 - (e) such other information as the IMO considers it requires to process the application; and
 - (f) a statement that the information provided is accurate.

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.