Wholesale Electricity Market
Rule Change Proposal Form

Change Proposal No: RC_2008_31
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Change requested by

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Address:	228 Adelaide Tce Perth
Date submitted:	*5 September 2008*
Urgency:	*Medium*
Change Proposal title:	Capacity Credits for Solar Facilities
Market Rule(s) affected:	4.11.2; 4.11.3; 4.11.3A; 4.11.3B;

Introduction

Market Rule 2.5.1 of the Wholesale Electricity Market Rules provides that any person (including the IMO) may make a Rule Change Proposal by completing a Rule Change Proposal Form that must be submitted to the Independent Market Operator.

This Change Proposal can be posted, faxed or emailed to:

Independent Market Operator
Attn: Manager Market Administration
PO Box 7096
Cloisters Square, Perth, WA 6850

Fax: (08) 9254 4339
Email: marketadmin@imowa.com.au

The Independent Market Operator will assess the proposal and, within 5 Business Days of receiving this Rule Change Proposal form, will notify you whether the Rule Change Proposal will be further progressed.

In order for the proposal to be progressed, all fields below must be completed and the change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the wholesale electricity market objectives. The objectives of the market 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.

Details of the proposed Market Rule Change

1. Describe the concern with the existing Market Rules that is to be addressed by the proposed Market Rule change:

Market Participants may currently nominate to have the certified capacity of an intermittent generator assessed under the methodology outlined under clause 4.11.2(b) of the Rules. This requires the IMO to utilise the calculation process outlined in clause 4.11.3A of the Rules to determine the "Relevant Level" for this capacity certification.

Clause 4.11.3A uses the average output of the facility to determine the certified capacity of an Intermittent Generator facility. This clause replaced an earlier provision of the Rules (Clause 4.11.3) that determined the Relevant Level by considering the capacity available with 90% confidence. The Rules were amended in 2005 to remove clause 4.11.3 following the insertion of clause 4.11.3A.

The averaging approach under the current certification process for intermittent generators acts to reduce the amount of certification that would be afforded to solar power station facilities below that available during peak demand. It may therefore act as a potential disincentive to the establishment of such facilities within the SWIS.

It is considered that the arrangements under the previous Clause 4.11.3 would be more appropriate for the application of the certification process to solar power station facilities that are eligible for certification under the Rules. This alternate certification mechanism would more closely approximate the capacity of the facility that will be available during periods of peak system demand, given that the electricity load within the SWIS is largely temperature dependent.

Synergy views that the current methodology must be changed to ensure that the current capacity certification process does not discriminate against solar powered facilities.

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2. Explain the reason for the degree of urgency:

The timely resolution of this issue will allow solar plants to be appropriately awarded capacity credits, with application in the 2011/12 Capacity year and beyond.

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3. Provide any proposed specific changes to particular Rules: (for clarity, please use the current wording of the Rules and place a ~~strikethrough~~ where words are deleted and underline words added)

4.11.2. Where an applicant nominates under clause 4.10.1(i) to have the IMO use the methodology described in clause 4.11.2(b) to apply to a Scheduled Generator or a Non-Scheduled Generator, the IMO:

(a) may reject the nomination if the IMO reasonably believes that the capacity of the Facility has permanently declined, or is anticipated to permanently decline prior to or during the Reserve Capacity Cycle to which the Certified Reserve Capacity relates. If the IMO rejects such a nomination it must process the application as it would if no nomination to use the method described in clause 4.11.2(b) had been made;

(b) if it has not rejected the nomination under paragraph (a), must assign a quantity of Certified Reserve Capacity to the relevant Facility for the Reserve Capacity Cycle equal to the Relevant Level determined by the IMO in accordance with either clause 4.11.3A or clause 4.11.3B (as elected by the applicant) but subject to clauses 4.11.1(b), 4.11.1(c), 4.11.1(f), 4.11.1(g), 4.11.1(h) and 4.11.1(i).

4.11.3. [Blank]

4.11.3A. Where an applicant elects under clause 4.11.2(b) to have the IMO determine the Relevant Level in respect of a Facility at a point in time under this clause ~~is determined by~~ the IMO will follow~~ing~~ these steps:

(a) take all the Trading Intervals that fell within the last three years, up to~~,~~ and including~~,~~ the last Hot Season;

(b) determine the amount of electricity (in MWh) sent out by the Facility in accordance with metered data submissions received by the IMO in accordance with clause 8.4 during these Trading Intervals;

(c) If the Generator has not entered service, or if it entered service during the period referred to in step (a), estimate the amount of electricity (in MWh) that would have been sent out by the Facility, had it been in service, for all Trading Intervals occurring during the period referred to in (a) which are prior to it entering service;

(d) set the Relevant Level as double the sum of the quantities determined in (b) and (c) divided by 52,560.

4.11.3B. Where an applicant elects under clause 4.11.2(b) to have the IMO determine the Relevant Level in respect of a Facility at a point in time under this clause ~~The Relevant Level in respect of a Facility at a point in time is determined by~~ the IMO will follow~~ing~~ these steps:

(a) take all the Trading Intervals that fell within the last full Hot Season ~~before that time~~;

(b) identify the 250 Trading Intervals from those referred to in step (a) during which the demand for electricity on the SWIS is highest, where demand refers to total demand, net of embedded generation;

(c) remove any Trading Intervals from those identified in step (b) during which System Management instructed the Facility to reduce its electricity sent out;

(d) determine the level of electricity sent out by the Facility during each of those remaining Trading Intervals (ignoring Losses), in accordance with metered data submissions received by the IMO for that Facility in accordance with clause 8.4;

(e) rank the levels determined under step (d) from highest to lowest~~, with the higher levels having priority over a lower level~~; and

(f) set the Relevant Level as the ~~level which the IMO determines to be the~~ lowest 10% percentile level of the ranking in step (e).

4. Describe how the proposed Market Rule change would allow the Market Rules to better address the Wholesale Market Objectives:

Advancing this rule change will support the Wholesale Market Objectives, most notably, (b), facilitating efficient entry of new competitors; and (c), avoiding discrimination 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.

5. Provide any identifiable costs and benefits of the change:

The change to the Market Rule is not expected to impose any material cost to the market in terms of its administrative implications.

A multitude of benefits are expected to arise from the introduction of the Market Rule change. The benefits are expected to include the potential introduction of additional lower carbon intensity renewable technology and projects that are aligned with peak electricity demand. This will assist retailers meet their obligations under the Mandatory Renewable Energy Target and hence avoid penalties for non compliance under this scheme.

The Market Rule change is expected to enhance the efficiency of the market by encouraging greater competition between technologies to service expanding demand while also encouraging a more efficient use of resources and infrastructure involved in the delivery of electricity to customers.