
Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2009_08 Updates to Commissioning Provisions

Submitted by

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Submission

- 1. Please provide your views on the proposal, including any objections or suggested revisions.**

Background

The current Market Rules include a number of concessions for new Facilities that are being 'commissioned'. For example, such Facilities are:

- exempt from having to provide a Resource Plan (and are not subject to the Upward Deviation Administered Price and the Downward Deviation Administered Price);
- relieved from a number of the Reserve Capacity Obligations, including the need to pay Capacity Cost Refunds; and
- allowed to nominate when the Facility is to receive payments for Capacity Credits (and therefore then become subject to all Reserve Capacity Obligations).

However, Market Rule 3.21A.3 provides that a Commissioning Test may only be requested by, and System Management may only approve a Commissioning Test for:

- a new generating system expecting to be registered as a Scheduled Generator that wishes to have its output capability verified (prior to 30 November); or
- an existing Scheduled Generator that has undergone significant maintenance and is returning to service and wishes to confirm its output capability.

Under the current Market Rules, System Management is unable to approve a Commissioning Test for a new Facility after 30 November.

To the extent that a new Facility is unable to complete Commissioning Tests by 30 November, the effect of the Market Rules is to oblige the Facility to verify its output capability while being required to trade in the energy market. This means that a Facility commissioning after 30 November does so without the benefit of relief from the full provisions of the energy market, including the requirement to submit Resource Plans and consequent exposure to penalty balancing prices and compliance issues.

Rule Change Proposal

RC_2009_08 would amend to Market Rules to allow new Facilities to conduct Commissioning Tests for a four month period from the date of first connection to the South West Interconnected System (SWIS).

During the commissioning period, the new Facility would not be required to operate in the energy market. That is, it would not be required to submit Resource Plans, and would not be subject to the Upward Deviation Administered Price and the Downward Deviation Administered Price.

However, new Facilities would become subject to all Reserve Capacity Obligations from no later than 1 December. As a result, new Facilities would continue to be liable to pay Capacity Cost Refunds for Forced Outages from at least that date.

Draft Rule Change Report

The IMO's draft decision was to accept RC_2009_08 as proposed, with a minor amendment to Market Rule 3.21A.16 to clarify that System Management would only need to provide the IMO with Commissioning Test plan information on a daily basis, not every time that the Commissioning Test plan was varied.

The IMO also requested that Market Participants specifically submit on the proposed requirement under amended Market Rule 10.6.1 for the IMO to publish the approved Commissioning Test plans provided to it by System Management under the new clause 3.21A.16.

A workshop on RC_2009_08 was held on Monday 24 August 2009, and the IMO subsequently also issued an addendum to its Draft Rule Change report on Tuesday 25 August 2009.

Alinta's views

Alinta supports the intent of RC_2009_08.

The amended Market Rules would retain a strong financial incentive for Market Participants to complete commissioning of new Facilities ahead of periods of peak system demand. However, to the extent this cannot be achieved, the amended Market Rules would ensure that efforts by Market Participants to complete commissioning as soon as possible after 1 December were not unduly impeded.

RC_2009_08 would also require the IMO to make approved Commissioning Tests supplied to it under clause 3.21A.16 by System Management available from the Market Web Site as SWIS Restricted Information.

In its submission, System Management argued that visibility of an impending Commissioning Test is already provided for in either, or both, of the Medium Term Projected Assessment of System Adequacy (PASA) and Short Term PASA that are published by the IMO on, respectively, a monthly and weekly basis.

Discussion at the workshop focussed on the cost of making the information available to Market Participants and the potential perverse incentives that might be created for commissioning generators to reduce the quantity and/or quality of information provided to System Management as part of Commission Test plans.

In principle, Alinta supports the proposed changes to the Market Rules that would result in Commissioning Test plans provided by System Management to the IMO being published. Publication of approved plans would increase market transparency, which is likely to support the efficient operation of the market. Alinta also agrees with the IMO's observation that as commissioning plants impact on Verve as market balancer and on market prices, increased transparency around Commissioning Plans would provide greater certainty and support improved dispatch planning.

Alinta notes that while the Medium Term PASA and the Short Term PASA identify for each approved Commissioning Test the Facility to be tested and the dates and times during which the Commissioning Test will be conducted, it will not identify the amount of energy that will be spilled into the market. It is this information that is of most value both the Verve, as market balancer, and to other Market Generators, given the potential impact that energy being spilled into the market from the commissioning generator will have on market prices.

Nevertheless, in order to minimise the risk that the quantity and/or quality of information provided to System Management as part of Commission Test plans is reduced, Alinta considers that the information to be published by the IMO under proposed Market Rule 10.5.1(f) could be limited to the following items specified in Appendix I of the Power System Operation Procedure Commissioning and Testing:

- Planned output levels over test period in MW
- Planned output levels over test period in MWh for each Trading Interval
- Fuel type, where the generating system has dual fuel ability

2. Please provide an assessment whether the change will better facilitate the achievement of the Market Objectives.

Market Rule 2.4.2 states that 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 Wholesale Market Objectives are 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.

- (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.

Alinta considers that the IMO can be satisfied that the Market Rules, as proposed to be amended or replaced by RC_2009_08, are consistent with Wholesale Market Objectives (a), (b) and (d).

This is because the Market Rules, as amended, would retain a strong financial incentive for Market Participants to complete commissioning of new Facilities ahead of periods of peak system demand. However, to the extent this cannot be achieved, the amended Market Rules would ensure that efforts by Market Participants to complete commissioning as soon as possible after 1 December were not unduly impeded.

While RC_2009_08 may not be inconsistent with Market Objectives (c) and (e):

- it is unlikely to affect the manner in which the market treats 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; and
- it is unlikely to affect the taking of measures to manage the amount of electricity used and when it is used.

This should also significantly reduce the cost incurred by System Management in providing the information to the IMO.

3. Please indicate if the proposed change will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.

The changes to the Market Rules contemplated by RC_2009_08 would not require Alinta to change its IT or business systems, and hence there are no IT or business costs associated with the rule change proposal.

4. Please indicate the time required for your organisation to implement the change, should it be accepted as proposed.

The changes to the Market Rules contemplated by RC_2009_08 would not require Alinta to change its IT or business systems, and hence there is no specific period of time that would be required to implement the changes arising from the rule change proposal.