

Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2010_22 Partial Commissioning of Intermittent Generators

Submitted by

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Submission

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

Background

The Independent Market Operator (IMO) has reviewed the administration of Reserve Capacity Security and identified a number of issues. These issues were presented to the Market Advisory Committee (MAC) at its meeting of 12 May 2010. Subsequent to the MAC meeting the IMO developed a formal rule change proposal, RC 2010_12 to address the issues identified. RC 2010_12 is currently being progressed under the normal rule change process and is currently at exactly the same stage in the rule change process as this rule change proposal, RC 2010_22.

RC 2010_12 will, if implemented, introduce the concept of "Required Level". Under RC 2010_12, Intermittent Facilities will be required to perform to 100% of their Required Level in at least two Trading Intervals to be considered fully commissioned and have their Reserve Capacity Security returned. The Required Level for Intermittent Facilities will, with RC 2010_12, be set at the 5% probability of exceedance (POE) of the 3 year expected generation output for the Facility, or an alternative value proposed by an expert and accepted by the IMO.

The IMO has identified that if RC 2010_12 were implemented Intermittent Facilities that fall short of the 100% performance criterion assessed against the Relevant Level may not be deemed to be commissioned and will be subject to the full extent of Reserve Capacity Refunds.

Change Proposal

On 18 November 2010 the IMO submitted a Rule Change Proposal to effectively allow Intermittent Facilities to be recognised as partially commissioned until they fully comply with the 100% of Required Level test, established in the RC 2010_12 rule change.

The IMO has proposed that the “level of completion” be set equal to the proportion of the ratio “output of Facility in the Trading Interval with the second highest output / Required Level”.

For example, a Facility that generated at 77MW in its second highest output Trading Interval and had a Required Level of 100MW would be considered to be 77% completed. The Facility would be exposed to Capacity Credit Refunds for the 23% uncompleted portion until a higher level of output is achieved. Ultimately, once the Required Level of output is achieved no Capacity Credit Refunds will apply to the Intermittent Facility.

Perth Energy’s Views

Perth Energy supports the IMO’s rule change proposal. Perth Energy considers the current treatment of Intermittent Facilities (with the IMO’s application of the Market Rules to date) which effectively guarantees that Intermittent Facilities will have their Reserve Capacity Security returned by the end of the Reserve Capacity Cycle, as well as not ever being exposed to Reserve Capacity Refunds even in the cases of late or only partial commissioning, to be discriminatory and to give an unfair competitive advantage to these technologies. Perth Energy also considers this treatment could potentially lead to very inefficient investment decisions with a resultant sub optimal technology mix in the South West Interconnected System (SWIS).

Perth Energy considers the proposed rule change goes a long way in addressing these deficiencies.

Perth Energy proposes the following minor changes to the drafting to implement the change proposal:

1. In clause 4.26.1, Perth Energy proposes the following in the REFUND TABLE in the section under the Maximum Participant Refund definition:

“Where:

For an Intermittent Facility that:

- (a) operated at 100 percent of its Required Level, scaled to the level of Capacity Credits specified in clause 4.20.1(a), in at least two Trading Intervals; or

(b) has provided the IMO with a report under clause 4.13.10C, where this report specifies that 100 percent of the Facility certified under clause 4.11.2(b) has been built; and

(c) following a request to the IMO by a Market Participant considered by the IMO to be in Commercial Operation:

Y equals 0.

For an Intermittent Facility that neither (a) nor (b) and (c) above applies [delete the (a), (b), (c) list currently appearing in the legal text] Y is determined by dividing...”

2. Perth Energy also proposes another simplifying change to the definition of Max_2 in clause 4.26.1 and proposes that the currently suggested wording to define Max_2 be replaced by:

“ Max_2 is the second highest value of the output for the Facility (MWh) achieved during all Trading Intervals as measured by the Meter Schedule data (sent out) that has been achieved since the date the IMO determined the Facility to be in Commercial Operation”

Perth Energy notes that this rule change proposal has been made subject to another rule change proposal, RC 2010_12 being implemented. In Perth Energy’s view it is preferential to include this rule change proposal as part of RC 2010_12, rather than it being a separate rule change proposal dependant on another, yet to be approved or implemented, rule change proposal.

Perth Energy queries whether the Market Rules allow for rule change proposals to be linked in this way, to other rule change proposals that are yet to be finalised. In our view, rule change proposals must be assessed against the Market Rules as they exist at the time the decision on the change proposal is being made, having regard to whether the rule change proposal will better facilitate the achievement of any (or all) of the Market Objectives if implemented.

As a minimum, Perth Energy requests that the IMO continue to consider both 2010_12 and 2010_22 at the same time (throughout the entire rule change process) to explicitly allow for the interaction between the two rule change proposals to be considered properly.

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

Subject to the previous comments regarding the conditional nature of this rule change proposal, Perth Energy supports the rule change proposal by the IMO and considers the

change would better facilitate the achievement of Market Objectives¹ (b) and (c) for the reasons set out above.

Perth Energy has not identified any adverse impacts on the other Market Objectives.

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.

There will be no impact for Perth Energy.

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

Perth Energy does not require any lead time to implement the change.

¹ 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.