

Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2010_24 Adjustment of Relevant Level for Intermittent Generation Capacity

Submitted by

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Submission

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

Background

Clause 4.11.3A of the Market Rules establishes the methodology for calculating the Relevant Level, which is the basis upon which the Independent Market Operator (the IMO) assigns Certified Reserve Capacity to Non-Scheduled Generators (which includes intermittent generators).

This methodology requires the Relevant Level to be calculated as the straight average of the Metered Schedules for Non-Scheduled Generators during the preceding three Hot Seasons. In the absence of actual data for the previous three Hot Seasons (as will be the case for a newly installed Facility) the methodology requires the Metered Schedules that would have been produced had the Facility been connected to the South West Interconnected System (SWIS) to be estimated.

The current methodology for estimating the Metered Schedules, as specified in clause 4.11.3A, does not make allowance for Dispatch Instructions, Consequential or Planned Outages. Alinta Sales Pty Ltd (Alinta) has identified that such events may influence the

Metered Schedules and therefore the Relevant Level and ultimately the amount of Certified Reserve Capacity assigned to the Facility.

In recognition of this Alinta has submitted RC 2010 24 “Adjustment of Relevant Level for Intermittent Generation Capacity” on 3 August 2010 to address the impact of Dispatch Instructions, Consequential and Planned Outages on the calculation of the Relevant Level.

Change Proposal

Alinta considers that the current methodology in clause 4.11.3A leads to an assignment of Certified Reserve Capacity to intermittent generators that is not reflective of the capacity that these Facilities provide to the system. Alinta considers that reduced output from intermittent generators, due to the generator complying with a downward Dispatch Instruction from System Management or from being on either a Consequential or a Planned Outage, should not lead to a reduced amount of Certified Reserve Capacity being assigned to those Facilities.

Alinta has proposed to amend the Market Rules by inserting a new clause 4.11.3A.cA to require that the actual Metered Schedule, in intervals where the Facility has complied with a downward Dispatch Instruction or was on either a Consequential or a Planned Outage, be substituted with estimated values for the output of the Facility had it been operating without those restrictions.

Perth Energy’s Views

Perth Energy supports the proposal by Alinta as the current methodology for calculating the Relevant Level does not lead to a result which adequately reflects the average level of capacity that can be expected to be available from an intermittent generator during the Hot Season. In Perth Energy’s view the current methodology unduly discriminates against those Facilities that are subject to the calculation under clause 4.11.3A.

However, Perth Energy notes that the proposed solution necessitates that someone undertake an estimation of the output of the Facility that would have eventuated, in the absence of having its output restricted either by a Dispatch Instruction or being on a Consequential or Planned Outage. The proposed drafting to implement the change does not identify which entity should perform this estimation.

Perth Energy puts forward an alternative solution to the problem identified by Alinta: It may be simpler to amend the Market Rules to exclude the contribution of the intervals where the Facility was affected by a Dispatch Instruction, Consequential or Planned Outage from the calculation of the Relevant Level.

Perth Energy also notes that the reference to 52,560 (trading intervals) in clause 4.11.3A(d) of the Market Rules does not accurately accommodate the event of a leap year.

Perth Energy proposes the following drafting amendments to reflect the proposed minor changes identified by Perth Energy with regard to Alinta’s proposal (~~deleted text~~, added text as compared to the current Market Rules):

- 4.11.3A. The Relevant Level in respect of a Facility at a point in time is determined by the IMO following these steps:
- (a) take all the Trading Intervals that fell within the last three years up to, and including, the last Hot Season;
 - (b) subject to (cA) below, 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;
 - (cA) If evidence is provided by the Market Generator that during the period described in step (a), the amount of electricity (in MWh) sent out by the Facility was reduced because the Facility complied with a Dispatch Instruction from System Management, or because of a Planned Outage or a Consequential Outage, disregard the contribution of these Trading Intervals to the total amount of electricity calculated in (b) above;
 - (d) set the Relevant Level as double the sum of the quantities determined in (b), ~~and (c)~~ and (cA) divided by:
 - (i) 52,584 less the number of Trading Intervals referred to in (cA) above if the last three years included a leap year; or
 - (ii) 52,560 less the number of Trading Intervals referred to in (cA) above if the last three years did not include a leap year.

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

Perth Energy considers that both Alinta's proposal and Perth Energy's proposed drafting amendments would better facilitate the achievement of Market Objective¹ (c) in particular,

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;

avoiding discrimination against particular energy options or technologies. Perth Energy also considers that the proposals would better facilitate achievement of Market Objective (d) as with the amendments the contribution of intermittent generators to the available capacity for the SWIS will be more accurately reflected and the need for additional generation capacity from other sources is likely to be marginally less than is the case under current methodology. The proposed changes are therefore likely to lead to a slight decrease in the long term cost of producing electricity in the SWIS.

Perth Energy does not consider there to be any impact on the remaining Market Objectives as a result of implementing these Market Rule amendments.

Finally, although supportive of Alinta's proposal, Perth Energy considers the proposed minor amendments to Alinta's original proposal (outlined above) provide further clarity and accuracy to the methodology used to establish the Relevant Level.

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.

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- (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.