



**Independent Market Operator**

**Draft Rule Change Report  
Title: Intermittent Loads Eligibility Criteria**

**RC\_2012\_01**

**Standard Rule Change Process**

**Date: 15 May 2012**

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## EXECUTIVE SUMMARY

### ***Proposed Amendments***

The IMO's Rule Change Proposal seeks to remove ambiguity from the eligibility criteria laid out in clause 2.30B.2 to test an Intermittent Load. Clauses 2.30B.2(a)(i) and 2.30B.10 contemplate scenarios in which only a part of a Load is considered to be an Intermittent Load. However, the net consumption of energy test laid out in clause 2.30B.2(b) does not account for this situation. The Rule Change Proposal seeks to remove this apparent contradiction in the clauses.

The proposed amendments will allow for situations where a Load or a part thereof can be registered as an Intermittent Load.

### ***Consultation***

The Pre Rule Change Proposal was discussed at the Market Advisory Committee (MAC) meeting on 8 February 2012, where members agreed that the proposal should be progressed using the standard rule change process.

The IMO formally submitted the Rule Change Proposal on 29 February 2012. The first submission period was held between 1 March 2012 and 16 April 2012. Submissions were received from Perth Energy, Landfill Gas & Power (LGP) and System Management. Perth Energy and LGP supported the proposed amendments. System Management did not support the Rule Change Proposal, considering that the treatment of part Loads as Intermittent Loads lacks transparency.

### ***Assessment against Wholesale Market Objectives***

The IMO's assessment is that the proposed amendments are consistent with the Wholesale Market Objectives and will improve the overall integrity of the Market Rules.

### ***Practicality and Cost of Implementation***

No costs or issues of practicality of implementation have been associated with this Rule Change Proposal.

### ***The IMO's Decision***

The IMO's proposed decision is to accept the Rule Change Proposal.

### ***Next steps***

The IMO now invites interested stakeholders to make submissions on this Draft Rule Change Report by **5.00pm, Wednesday 13 June 2012**.

## 1. RULE CHANGE PROCESS AND TIMETABLE

On 29 February 2012 the IMO submitted a Rule Change Proposal regarding amendments to clauses 2.30B.1, 2.30B.2, 2.30B.5, 2.30B.6, 2.30B.6A, 2.30B.7, 2.30B.8 and 2.30B.11 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 key dates in processing this Rule Change Proposal are:



Please note that the commencement date is provisional and may be subject to change in the Final Rule Change Report.

## 2. CALL FOR SECOND ROUND SUBMISSIONS

The IMO invites interested stakeholders to make submissions on this Draft Rule Change Report. The submission period is 20 Business Days from the publication date of this report. Submissions must be delivered to the IMO by **5.00pm, Wednesday 13 June 2012**.

The IMO prefers to receive submissions by email (using the submission form available on the IMO website: <http://www.imowa.com.au/rule-changes>) to: [market.development@imowa.com.au](mailto:market.development@imowa.com.au)

Submissions may also be sent to the IMO by fax or post, addressed to:

**Independent Market Operator**  
Attn: Group Manager, Market Development  
PO Box 7096  
Cloisters Square, PERTH, WA 6850  
Fax: (08) 9254 4399

### **3. PROPOSED AMENDMENTS**

#### **3.1 The Rule Change Proposal**

The Rule Change Proposal seeks to address an error in the eligibility criteria for Intermittent Loads prescribed in clause 2.30B.2 of the Market Rules. Clause 2.30B.2 sets out a number of conditions that a Load must meet to be eligible to be an Intermittent Load, including the requirement that “the Load shall reasonably be expected to have a net consumption of energy for not more than 4320 Trading Intervals in any Capacity Year” as stated in clause 2.30B.2(b). Clauses 2.30B.2(a)(i) and 2.30B.10 contemplate situations where only part of a Load is registered as an Intermittent Load, with the remaining part being treated as a Non-Dispatchable Load. However, the IMO considers that the current drafting of clause 2.30B.2(b) fails to account for this scenario, making it unclear how the consumption test should be applied.

The Rule Change Proposal suggests alternative wording for clause 2.30B to clarify that it is possible for only part of a Load to be treated as an Intermittent Load and to remove the apparent contradiction in the eligibility criteria.

For full details of the Rule Change Proposal please refer to the IMO Website: [http://www.imowa.com.au/rc\\_2012\\_01](http://www.imowa.com.au/rc_2012_01).

#### **3.2 The IMO’s Initial Assessment of the Proposal**

The IMO decided to proceed with the proposal on the basis that Rule Participants should be given an opportunity to provide submissions on the proposed amendments as part of the rule change process.

### **4. CONSULTATION**

#### **4.1 The Market Advisory Committee**

The Pre Rule Change Proposal was discussed at the Market Advisory Committee (MAC) at its 8 February 2012 meeting. The following comments and questions were noted from MAC members:

- In response to queries from Mr Stephen MacLean and Mr Ben Tan, Mr Greg Ruthven confirmed that the generator serving the Intermittent Load could be present at a location different from the Load or have a different NMI.
- Ms Wana Yang questioned if the proposed changes were simply to correct a mathematical error or if the issue affected real-world application of the clause. Mr Ruthven confirmed that as the clauses currently stand, a load could essentially fail the test in clause 2.30B.2(b) even if it satisfies all other clauses.
- Mr Andrew Sutherland was concerned that it seemed that the Market Rules did not allow for an Intermittent Load to exist behind an Embedded Generator.
- Mr Corey Dykstra noted that it was not immediately apparent that an inconsistency existed in the clauses because the issue existed with regard to how the 4320 Trading Intervals of net energy consumption in a capacity year were identified. Mr Dykstra said that it did not seem to be a manifest error as was stated in the pre-Rule Change Proposal. Mr Sutherland agreed that because the clause was currently being applied as it was originally contemplated (i.e. to allow a generator to only meet part of a load); it was not clear why the clause needed an urgent change using a fast-track process. The Chair queried whether the clause was limiting real-world application to which Mr

Ruthven replied that it could be limiting if new Loads applied to be classified as Intermittent Loads.

- Ms Yang questioned the benefit available to a participant on qualifying as an Intermittent Load to which Mr Sutherland and Mr Ruthven replied that the benefit existed in the form of lower Individual Reserve Capacity Requirement (IRCR) but that the participant also took on a substantive risk in the form of uncapped refunds for the Intermittent Load where they fail to meet their capacity requirements.
- Mr MacLean asked if it was correct to assume that the clause allowed an Intermittent Load to maximize its consumption quantity during the 4320 Trading Intervals. Mr Ruthven replied that annual checks should be in place to assess when the Load was drawing energy from the grid.
- MAC members agreed that that the proposed changes should be progressed, subject to the IMO reconsidering its initial assessment of the proposed changes as meeting the criteria to be progressed via the fast track rule change process. Following a revised assessment, the Rule Change Proposal was submitted into the standard rule change process.

Further details are available in the MAC meeting minutes available on the IMO website: <http://www.imowa.com.au/MAC>

#### 4.2 Submissions received during the first submission period

The first submission period for this Rule Change Proposal was between 1 March 2012 and 16 April 2012. Submissions were received from Landfill Gas & Power (LGP), Perth Energy and System Management. LGP and Perth Energy supported the Rule Change Proposal on the grounds that the proposed amendments would remove the potential for ambiguity in the assessment of Intermittent Loads.

System Management did not support the Rule Change Proposal, considering that arrangements for Intermittent Loads should not be permitted due to what it considers is a lack of transparency. Further consultation was held with System Management where it noted its concern on potential lack of transparency regarding whether there is an embedded generator operating and providing energy to an Intermittent Load. However, System Management acknowledged that there was a contradiction in the Market Rules which needed to be clarified and which the proposed amendments would rectify.

The assessment by submitting parties as to whether the proposal would better achieve the Wholesale Market Objectives is summarised below:

Submitter	Wholesale Market Objective Assessment
Perth Energy	Better achieve (a) and (d)
LGP	Consistent with Wholesale Market Objectives
System Management	Does not better achieve Wholesale Market Objectives.

A copy of all submissions in full received during the first submission period is available on the following IMO Web Page: [http://www.imowa.com.au/rc\\_2012\\_01](http://www.imowa.com.au/rc_2012_01)

### **4.3 The IMO's response to submissions received during the first submission period**

The IMO's response to each of the issues identified during the first submission period is presented in the table over the page:

	Submitter	Comment/Change requested	IMO Response
1	System Management	System Management is concerned that there is not enough transparency in determining a Load to be an Intermittent Load. However, System Management acknowledges that there is a contradiction in clause 2.30B.2 and 2.30B.10 that this Rule Change Proposal seeks to remove.	The IMO notes System Management's concern around lack of transparency in assessing a Load to be an Intermittent Load. The IMO considers that the eligibility requirements for an Intermittent Load (including the generation system requirements under clause 2.30B.2(a)) and the ability for the IMO to terminate an Intermittent Load arrangement under clause 2.30B.7 are sufficient to allow an appropriate level of scrutiny and governance over Intermittent Loads.
2	System Management	System Management believes that clause 2.30B.10(a)(iii) does not give the right for a Market Participant to apply for part of its Facility to be an Intermittent Load or for the IMO to accept this application.	The IMO considers that clauses 2.30B.2(a)(i) and 2.30B.10 clearly demonstrate that these Facilities are expected under the Market Rules, and that a Market Participant would therefore be able to apply for part of a Load to be accepted as an Intermittent Load. The IMO notes that System Management acknowledged in its discussions with the IMO that a contradiction exists in current drafting of section 2.30B.
3	System Management	System Management believes that "typically" in clause 2.30B.2(a)(i) should be interpreted to mean will be able to supply the load at all times other than when the generator is on a forced, consequential or approved outage.	The IMO considers that System Management's interpretation of this clause is consistent with the intent of the clause.
4	System Management	System Management believes that the value of NL as defined in Appendix 1(f)(viii) is not a quantity which can be verified independently with metered quantities.	The IMO considers that the current Market Rules contemplate that the NL value is to be nominated by the Market Customer and therefore it is not verifiable with metered quantities. In this regard, System Management's assessment is correct.
5	System Management	System Management believes that the proposal misses an opportunity to make the market more transparent, but rather embeds a questionable methodology.	The IMO notes System Management's concerns but considers that the proposed Amending Rules allow for a sufficient level of scrutiny and governance over Intermittent Load Facilities. Also see response to Issue 1.
6	System Management	System Management believes the proposal does not attempt to show that the proposed rule changes better facilitate the achievement of the Market Objectives.	The IMO notes System Management's comments. As outlined in the Rule Change Proposal, the IMO considers that the proposed amendments will remove an apparent contradiction from the Market Rules and clarify the eligibility requirements for Intermittent Loads. The transparency and integrity of the Market Rules directly impacts on their effectiveness in facilitating the achievement of the Wholesale Market Objectives. Therefore improvements to the integrity and transparency of the Market Rules will, in general, allow them to better achieve the Wholesale Market Objectives.



#### **4.4 Public Forums and Workshops**

No public forums or workshops were held with regard to this Rule Change Proposal.

### **5. THE IMO'S ASSESSMENT**

In preparing its Draft Rule Change Report, the IMO must assess the Rule Change Proposal in light of clauses 2.4.2 and 2.4.3 of the Market Rules.

Clause 2.4.2 outlines 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”*.

Additionally, clause 2.4.3 states, when deciding whether to make Amending Rules, the IMO must have regard to the following:

- any applicable policy direction from the Minister regarding the development of the market;
- the practicality and cost of implementing the proposal;
- the views expressed in submissions and by the MAC; and
- any technical studies that the IMO considers necessary to assist in assessing the Rule Change Proposal.

The IMO notes that there has not been any applicable policy direction from the Minister or any technical studies commissioned in respect of this Rule Change Proposal. A summary of the views expressed in submissions and by the MAC is available in section 4 of this report.

The IMO's assessment is outlined in the following sub-sections.

#### **5.1 Wholesale Market Objectives**

The IMO considers that the Market Rules as a whole, if amended as presented in section 7, will be consistent with the Wholesale Market Objectives.

Further, the IMO considers that the proposed amendments will remove the potential for ambiguity in assessing Loads or parts thereof as Intermittent Loads. This will improve the overall integrity of the Market Rules.

#### **5.2 Practicality and Cost of Implementation**

##### **Cost:**

No costs associated with implementing the proposed changes have been identified.

##### **Practicality:**

The IMO does not consider that there are any issues with the practicality of implementation of the proposed changes.

## 6. THE IMO'S PROPOSED DECISION

The IMO's proposed decision is to accept the Rule Change Proposal.

### 6.1 Reasons for the decision

The IMO has made its proposed decision on the basis that the Amending Rules:

- are consistent with the Wholesale Market Objectives;
- improve the overall integrity of the Market Rules;
- have the general support of the MAC; and
- have the support of two of the three submissions received during the first submission period.

## 7. PROPOSED AMENDING RULES

The IMO proposes to implement the following amendments to the Market Rules (~~deleted text~~, added text):

2.30B.1 An Intermittent Load is a Load, or a part of a Load associated with consumption in excess of a level specified by the Market Participant, that satisfies the requirements of clause 2.30B.2 and is recorded in Standing Data as being an Intermittent Load.

2.30B.2. For a Load or part of a Load to be eligible to be an Intermittent Load the IMO must be satisfied that the following conditions are met:

- (a) a generation system must exist:
  - i. which can typically supply the maximum amount of that Load to be treated as Intermittent Load either in accordance with clause 2.30B.11 or without requiring energy to be withdrawn from a Network. Where clause 2.30B.11 applies then, for the purpose of this clause 2.30B.2(a)(i), the amount that the generation system can supply must be Loss Factor adjusted from the connection point of the generation system to the connection point of the Intermittent Load;
  - ii. the output of which is netted off consumption of the Load either in accordance with clause 2.30B.12 or by the meter registered to that Load; and
  - iii. which would in the view of the IMO, if it were not serving an Intermittent Load, be eligible to hold an amount of Certified Reserve Capacity, determined in accordance with clause 2.30B.4, at least sufficient to supply the amount of energy that the generation system is required by clause 2.30B.2(a)(i) to be able to supply while simultaneously being able to satisfy obligations on any Capacity Credits associated with that generation system;
- (b) the Intermittent Load shall reasonably be expected to have net consumption of energy (based on Metered Schedules calculated in accordance with the methodology prescribed in clause 2.30B.10) for not more than 4320 Trading Intervals in any Capacity Year;

- (c) the Market Customer for that Load must have an agreement in place with a Network Operator to allow energy to be supplied to the Load from a Network;
- (d) the Load is an Interruptible Load or a Non-Dispatchable Load; and
- (e) the Load is not expected (based on applications accepted by the IMO under clause 2.29.5D and any amendments accepted by the IMO under clause 2.29.5K) to be associated with any Demand Side Programme for any period following the registration of the Load or part of the Load as an Intermittent Load.

2.30B.5. A Market Customer, or applicant to become a Market Customer, may apply for a Load or part of a Load to be treated as an Intermittent Load as part of Market Customer registration (for a Non-Dispatchable Load) or Facility registration (for an Interruptible Load).

2.30B.6. Subject to clause 2.30B.6A, the IMO must accept an application for a Load or part of a Load to be an Intermittent Load if the requirements of clause 2.30B.2 are satisfied.

2.30B.6A. Where a Load referred to in clause 2.30B.6 is to be supplied by a generating system to which clause 2.30B.11 pertains, then the Load or part of the Load is to only be treated as an Intermittent Load from the first Trading Day in which both the Load and generating system are operating and until the commencement of the next Capacity Year.

2.30B.7. The IMO may cease to treat a Load or part of a Load as an Intermittent Load and require a Market Participant to modify its Standing Data in accordance with clause 2.34.11 from the commencement of a Trading Month if the IMO considers that the requirements of clause 2.30B.2 are no longer satisfied.

2.30B.8. The IMO may consult with System Management in determining whether or not to accept, or continue to accept, a Load or part of a Load as satisfying the requirements of clause 2.30B.2.

2.30B.11. The generation system described in clause 2.30B.2(a) is deemed to satisfy the requirements of clause 2.30B.2(a)(i) if it is located at a different connection point to that of the Load to which clause 2.30B.2 pertains and all of the following conditions are satisfied prior to the Load or part of the Load commencing to be an Intermittent Load:

- (a) the generation system must be a registered Facility;
- (b) the Load to which clause 2.30B.2 pertains must have a nominated maximum consumption quantity specified in its Standing Data of not less than 40 MWh;
- (c) the output of the generation system must be measured by an interval meter registered with a Metering Data Agent;
- (d) the generation system must have no Capacity Credits associated with it for the Capacity Year during which it is expected to commence operation;
- (f) the generation system must be constructed with the intention of serving the Intermittent Load;

- (g) the generation system must not be part of an Aggregate Facility with other generation systems; and
- (h) the IMO was notified of the use of such a generation system to serve the Intermittent Load in accordance with clause 4.5.3A(b)(iii) prior to the registration of that Intermittent Load.