

The lower half of the page features a background image with a blue color overlay. On the left side, there are several wind turbines of varying sizes, with their blades extending outwards. On the right side, there are several high-voltage electrical transmission towers (pylons) with power lines stretching across the frame. The overall scene is a landscape of renewable energy infrastructure.

Independent Market Operator

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

RC_2012_01

Standard Rule Change Process

Date: 11 July 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.

The second submission period was held between 16 May 2012 and 13 June 2012. No submissions were received during this period.

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 decision is to accept the Rule Change Proposal.

Next steps

The Amending Rules resulting from RC_2012_01 are proposed to commence at **8:00 AM on 1 August 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:



2. PROPOSED AMENDMENTS

2.1 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.

2.2 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.

3. CONSULTATION

3.1 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>

3.2 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

3.3 The IMO's response to submissions received during the first submission period

The IMO's response to submissions received during the first submission period is detailed in Section 4.3 of the Draft Rule Change Report available on the following IMO Web Page: http://www.imowa.com.au/RC_2012_01

3.4 Submissions received during the second submission period

Following publication of the Draft Rule Change Report on the IMO Web Page, the second submission period was between 16 May 2012 and 13 June 2012.

The IMO did not receive any submissions during the second submission period.

3.5 Public Forums and Workshops

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

4. THE IMO'S DRAFT ASSESSMENT

The IMO's draft assessment, against clauses 2.4.2 and 2.4.3 of the Market Rules, and analysis of the Rule Change Proposal can be viewed in the Draft Rule Change Report (available on the IMO's website).

5. THE IMO'S PROPOSED DECISION

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

The IMO 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.

6. THE IMO'S ASSESSMENT

In preparing its Final 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 in respect of this Rule Change nor has it commissioned a technical review in respect of this Rule Change Proposal. A summary of the views expressed in submissions and by the MAC is available in section 3 of this Final Rule Change Report.

The IMO's assessment of the Rule Change Proposal is outlined in the following sub-sections.

6.1 Wholesale Market Objectives

The IMO considers that the Market Rules as a whole, if amended as presented in section 8, 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.

6.2 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.

7. THE IMO'S DECISION

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

7.1 Reasons for the IMO's Decision

The IMO has made its decision on the basis that the Amending Rules as presented in Section 8:

- 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 the two of the three submissions received during the first submission period (noting that no submissions were received during the second submission period).

Additional detail outlining the analysis behind the IMO's decision is outlined in section 6 of this Final Rule Change Report.

8. AMENDING RULES

8.1 Commencement

The amendments to the Market Rules resulting from this Rule Change Proposal will provisionally commence at **8.00 am** on **1 August 2012**.

8.2 Amending Rules

The IMO has decided to implement the following Amending 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