

Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2012_01 Intermittent Loads Eligibility Criteria

Submitted by

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Submission

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

Background

The Market Rules currently contains provisions for a class of loads called “Intermittent Loads”. Intermittent Loads can in general be described as loads that are normally served entirely by embedded generation (normally residing at the same site as the load). As Intermittent Loads are serviced by embedded generation they are only required to purchase capacity credits to cover the reserve margin requirement.

The reserve margin is defined as negative one plus the ratio of the Reserve Capacity Requirement and the expected peak demand for the relevant Capacity Year. For example, if the Reserve Capacity Requirement was 5,000MW and the expected peak demand 4,000MW the reserve margin would be 0.2 $(-1 + 5,000 / 4,000)$. In that year, a load that recorded a 1MW consumption during the 12 peak intervals of the previous hot season would be required to purchase 1.2MWs of Capacity Credits (this number will normally be slightly further inflated due to oversupply of Capacity Credits). An Intermittent Load of 1MW would only be required to purchase 0.2MW of Capacity Credits to cover the reserve margin.

A single load may in some instances have a normal load that regularly exceeds the capacity of the embedded generator that it is associated with. In those instances the Market Rules

allows for part of that load (up to the level of the capacity of the embedded generator) to be classified as an Intermittent Load with the remainder of the load to be classified as a Non-Dispatchable Load.

The Independent Market Operator (IMO) has identified that there are certain clauses in the Market Rules, in particular 2.30B.2(b), that may contradict the notion that part of a load can be classified as an Intermittent Load.

Change Proposal

The IMO submitted Rule Change Proposal RC_2012_01 “Intermittent Loads Eligibility Criteria” on 29 February 2012.

The Rule Change Proposal would amend the wording of 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 to make clear that an Intermittent Load can indeed be a part of a (larger) total load. In addition, the amendments will clarify that the requirements that apply to an Intermittent Load only apply to the part of the load that is classified as an Intermittent Load (and not the overall total load).

Perth Energy’s Views

Perth Energy supports the IMO’s Rule Change Proposal.

Perth Energy agrees that the proposed amendments to the Market Rules would remove the potential for ambiguity in relation to the treatment of Intermittent Loads and would ensure loads that are associated with embedded generation may continue to benefit from the classification as Intermittent Loads up to the level of that can be served by the embedded generator.

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

Perth Energy considers the Rule Change Proposal would help to clarify the Market Rules and remove a potential ambiguity in the Market Rules. The amendments would therefore in Perth Energy’s view allow participants to continue to receive the benefits associated with co-locating generation and load, and the South West Interconnected System (SWIS) would also continue to receive some benefits flowing from such co-locations such as reduced losses from electricity transmission resulting in lower long term costs of producing electricity. Perth Energy therefore considers that achievement of Market Objectives¹ (a) and (d) would be

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;

marginally better achieved. Perth Energy has not identified any detrimental impacts on the remaining 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.

Perth Energy will not be impacted by the proposed changes.

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

Perth Energy will not require any lead time to implement the proposed changes.

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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.