



**Wholesale Electricity Market
Rule Change Proposal Submission Form**

**RC_2013_10 Harmonisation of Supply-Side and Demand-Side
Capacity Resources**

Submitted by

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calls for the largest volume DSM provider to be called ahead of smaller ones. This may provide a dis-incentive to aggregate loads into larger DSM programmes.

6. **Dispatch outside of availability limits:** Clause 7.6.10(b) of the Market Rules can be construed to prevent System Management from asking a DSM provider to provide capacity outside of the availability limits that it has nominated even on a best efforts basis.

7. **Relationship between IRCR and Relevant Demand:**

peak Trading Intervals during the previous Hot Season. The result is referred to as the Individual Reserve Capacity Requirement (IRCR). No adjustments are made to this

portfolio.

CRC awarded to DSM providers is based on a similar calculation for the 32 peak Trading Intervals and makes use of the concept Relevant Demand (RD), which is the median

However, unlike the IRCR calculation, when determining the RD (and hence the level of CRC to be awarded) outages at participating load sites are explicitly taken into account and the value of the RD is brought back to the level it would have been at had the outages not occurred.

This differing treatment of outages in the IRCR calculation and in the RD calculation places an incentive on DSM providers to schedule maintenance during the Trading Intervals that are likely to be included in the IRCR and RD Trading Intervals. Demand

reduce their IRCR liability without impacting their CRC eligibility by scheduling maintenance for facilities included in their DSM programme during Trading Intervals that are likely to fall within the IRCR Trading Intervals.

Change Proposal

The IMO submitted Rule Change Proposal 2013 10



Requirement	Current Rule	New Rule
Days of availability	All Business Days (subject to total dispatch events)	All Business Days
Dispatch events per year	At least 6	All Business Days (about 250)
Hours per day	4	6
Total hours of dispatch per year	24	Only limited by the hours per day and days of availability criteria. A maximum of about 1,500 hours per year (250 days by 6 hours)
Earliest start	12:00PM	10:00AM
Latest finish	8:00PM	8:00PM
Minimum notice period	4 hours	2 hours

In general, the proposed changes would significantly increase the dispatch availability requirements on DSM providers and more closely align these requirements with the requirements on Scheduled Generators.

As a consequence of the proposed changes in the table above there are also some flow on effects on the capacity refund calculations, the Availability Classes and therefore also the Reserve Capacity Auction design.

Capacity Credit Refunds for DSM providers that fail to deliver when called upon are currently made to pay a refund in proportion to their total annual availability. For example, a DSM provider that ten to their ten to55m0 g(n)-8(d)13()-4(ca)-8()-4(r)7(e)13(f)7()-6ef*EMC q65.784 502824 505.58



procedural changes in place for go live on 1 October 2016. There will be a need to systems to support the proposed telemetry solution. The IMO has also proposed to amend clause 7.10.4 to remove the current exclusion of DSM providers in System

4. **The 3 Day Rule:** The IMO has proposed to remove the current relief from providing capacity on a third consecutive day for DSM providers.
5. **Non-Balancing Dispatch Order:** The IMO has proposed to amend the tie-breaker rules in the NBDO so that Facilities are ranked according to the amount of time since they were last dispatched (those with the longest time since last dispatch to rank ahead of those with less time) without regard to the size of the DSM programme.
6. **Dispatch outside of availability limits:** The IMO has proposed to amend clause 7.6.10 so that System Management is allowed to Dispatch DSM programmes outside of their availability criteria. Such dispatch will be on a best efforts basis and no formal obligation to provide capacity will apply. A DSM programme that fails to comply despite best efforts will therefore not be subject to any capacity credit refund payments.
7. **Relationship between IRCR and Relevant Demand:** The IMO has proposed to amend the calculation of RD so that a DSM programme cannot sell more capacity than it is liable to buy via the IRCR associated with the loads in the DSM programme.

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Perth Energy supports the proposed amendments to the Market Rules as they in our view represent a significant improvement on the current status quo.

However, with the proposed amendments there will continue to be two very different Availability Classes for capacity providers with different obligations attached to delivery of what should be a homogenous product (capacity). Perth Energy questions the value for money and reliability attached to capacity provided by demand side measures compared to conventional capacity provided by Scheduled Generators. Ultimately, it is end users in the SWIS that will be burdened by additional costs and reliability issues flowing from continuing to have an unnecessary and inefficient system where some capacity has more lenient performance obligations attached without this being reflected in a reduced price for that capacity.

Perth Energy urges the IMO to conduct a further review of this part of the Market Rules as soon as possible to remove the remaining differences in treatment of capacity across the system. The review should include the option of removing DSM providers from the capacity mechanism altogether and instead developing a specific ancillary service product for DSM providers to complement capacity and/or energy requirements in the SWIS.

Perth Energy agrees with the proposal to remove the requirement to have 14 hours of uninterrupted fuel available for Scheduled Generators as there are other commercial and risk based incentives that support provision of adequate fuel supply. The IMO may wish to consider whether there may be value in having some generators (a system safety net) maintaining verifiable, uninterrupted fuel supplies, for example via a dual fuel set up. This



could be set up as an ancillary service to improve reliable operation of the SWIS in a situation similar to the 2008 Varanus Island incident.

With respect to the proposed updates to DSM availability criteria, Perth Energy supports these changes as being steps in the right direction. Ideally, Perth Energy would like to see

The uplift factors provide the conduit to allocate additional capacity to loads above and beyond the absolute contribution that the loads made to the system peak. This is necessary to ensure that additional capacity that is required to satisfy the planning criteria (e.g. to meet the 1/10 year peak demand on the system and do so even with the loss of units on the system) is allocated to and paid for by Market Customers. Using the temperature dependent

a 1MW median read for the IRCR intervals would have an IRCR requirement of 1MW x 1.5925 x 0.9974 = 1.5884MW.

Perth Energy suggests that in the example above, the maximum capacity awarded should be 1MW, which represents the actual ability to reduce demand. The higher value represented by the IRCR value is artificially inflated by the uplift factors and that amount of demand reduction is unlikely to be available from the load.

Perth Energy proposes to remove the effect of the uplift factors by amending the drafting of clause 4.26.2CA(b). The clause should refer to the individual median MW Metered Demand

and amendments to the proposed new step 11 in Appendix 5.

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

Subject to our comments above, Perth Energy considers that the proposed amendments to the Market Rules would positively impact on the ability to achieve Market Objectives (a), (b), (c) and (d)² for the following reasons:

Market Objective (a) which relates to the efficient and safe production and supply of electricity would be positively impacted by a number of efficiency related improvements including removing the unnecessary mandated requirement on Scheduled Generators to maintain 14 hours of uninterrupted fuel supplies, more closely aligning the availability requirements on DSM providers with those that apply to Scheduled Generators, resulting in more efficient use of available capacity and better value for money for SWIS end users in relation to capacity from DSM providers. The requirement for telemetry on DSM providers will also improve efficiency of dispatch and utilisation of these capacity providers.

² 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.



Market Objective (b) which relates to encouraging competition in the SWIS will be positively impacted by the fact that there will be a more equitable treatment of supply-side and demand-side capacity and thereby a levelling of the playing field.

Market Objective (c) will for the same reason be positively impacted as the levelling of the playing field will remove some inherent and unjustified differences in treatment of supply-side and demand-side providers of capacity.

Market Objective (d) should be positively impacted as the proposed amendments are likely to remove some of the current additional costs on end users relating to the inefficient over-supply of capacity. The improved incentives and rules on demand-side providers should lead to an improved mix of demand-side and supply-side providers of capacity in the longer term.

Perth Energy believes that further harmonisation of the obligations on capacity providers would further improve the ability to achieve the 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 has not identified any impacts on our IT or other business systems.

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.