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2. THE RULE CHANGE PROPOSAL

2.1. The Submission

Western Power submitted, on 15 October 2007, a Rule Change Proposal regarding amendments to clauses 5.2.1 and 5.2.2 of the Wholesale Electricity Market Rules.

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Organisation: Western Power
Date submitted: 15 October 2007
Urgency: High – Fast Track

2.2. The Proposal

Western Power submitted that currently the Market Rules require all Network Control Service Contracts to have a minimum period of ten years. Western Power's is concerned that while this minimum period appears to be appropriate for contracts for medium- to large-scale generation, it may not always be appropriate for smaller-scale solutions.

Western Power submitted that the optimum solution for a network constraint, which minimises the overall cost, may involve a Network Control Service Contract for a relatively small amount of generation for a relatively short period followed by a network augmentation in the medium term. Western Power, therefore, proposed to allow the Network Operator to determine the minimum period over which the services would be required.

Western Power submitted that the steady growth in electricity demand in and around the town of Ravensthorpe meant that capacity in the existing network will be fully utilized within 1 to 2 years. The optimum development appeared to be establishing relatively

2.3. The Proposal and the Market Objectives

Western Power submitted that the proposed Rule Change will better address the following Market Objectives:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system; and
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system;

for the following reason:

The change is designed to facilitate the maximum overall net cost/benefit in the case of Network Control Service Contracts by allowing the flexibility to optimize the term of the services and timing of the new network investment.

2.4. Amending Rules Proposed by Western Power

The amendments proposed by Western Power are set out below:

5.2.1. Where required by the Access Code to submit a major augmentation, as defined in the Access Code, to the tender process set out in the Market Rules, a Network Operator must notify the IMO of the opportunity for network support generation or Demand Side Management to compete with a transmission or distribution upgrade. The notification must include:

- (a) a specification of the services that would be required from the facility, including:
 - i. the maximum active and reactive power quantities required, specified in MW and MVAR;
 - ii. the estimated number of hours per year that the services would be required; and
 - iii. the required period of notice to call upon the services;
- (b) the location at which the facility would need to connect to the relevant network;
- (c) the Network Operator's estimate of the costs involved in connecting a generation facility that could provide the services specified in (a) from the location specified in (b);
- (d) the date time by which the facility is required to be in service; ~~and~~
- (e) the Network Operator's estimate of the cost of an augmentation to the Network that would provide the services; and
- (f) the minimum period over which the services would be required, from the date specified in (d).

5.2.2. The minimum period over which the Network Co

3. RULE PARTICIPANTS CONSULTED

For this Rule Change, the IMO notified the following interested parties of its intention to consult:

- Alcoa World Alumina Australia
- Alinta Sales Pty Ltd
- Barrick (Kanowna) Limited
- Bioenergy Limited
- Economic Regulation Authority
- Eneabba Gas Pty Ltd
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4. THE IMO'S ASSESSMENT AND DECISION

4.1. Assessment

LGP expressed concern about the lack of independent oversight of the Network Operator in fixing the minimum period for which Network Control Services would be required. The IMO notes that despite the fact that under the proposed amendment to the Market Rules the Network Operator will specify that minimum period, Market Rule clause 5.2.2 provides that the IMO has the discretion to extend this period. This discretionary power has the effect of granting the IMO the ability to independently review any minimum period proposed by the Network Operator.

In deciding whether to exercise this discretion the IMO would take into account the Market Objectives, including Market Objective (c) which requires the avoidance of "... discrimination ... 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". The IMO has discussed this intent with LGP which has indicated that it considers that this approach alleviates the concerns that LGP expressed in its submission.

Further, to put beyond doubt that the IMO may exercise its discretion at the time the contract for network control services is entered into, or at any time after that, the IMO has proposed adding the words "at any time" to the revised clause 5.2.2.

The final form of the proposed amendment is set out in Section 5 of this report.

All parties responding to IMO's request for consultation expressed support for System

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The change would therefore promote the economically efficient and reliable supply of electricity in the South West Interconnected System, and the IMO considers that the proposed changes are consistent with the operation of objective (a) of the Market Objectives. In their submissions, Alinta Sales and Landfill Gas and Power supported this assessment.

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The IMO's decision is to:

- Accept Western Power's proposed amendments to clauses 5.2.1 and 5.2.2 of the Wholesale Electricity Market Rules.

The IMO has made its decision on the basis that the resulting Amending Rules are consistent with the Market Objectives.

The wording of the relevant Amending Rules is presented in Section 5 of this Report.

5. AMENDING RULES

The following clauses will be amended as follows (~~deleted wording~~, new wording):

5.2.1. Where required by the Access Code to submit