
Wholesale Electricity Market Rule Change Proposal

Rule Change ID: RC_2008_07
Date Received: 28 February 2008

Submitted by

Name:	Dora Guzeleva
Phone:	9254 4351
Fax:	9254 4399
Email:	marketadmin@imowa.com.au
Organisation:	Independent Market Operator

Address T R13 9f 0601 2656 Tm (l) 010n 14422(d) 14422(e) 1034(p) 14422(e) 144220110hv120p 14422(e) 1v0c 537422

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.

Details of the proposed Market Rule Change

1) Describe the concern with the existing Market Ru

- 3) Clause 6.20.8 prescribes a methodology for reviewing the Maximum Shutdown Price. The working group noted the expert advice that the opportunity cost of a shutdown instructed by System Management are able to be fully recovered through the pay-as-bid prices under the provisions of the Market Rules. The small cost of shutting down a unit would also be covered by the inclusion start up cost. The working group recommended, therefore, that the clauses pertaining to the Maximum Shutdown Cost could be deleted from the Market Rules as they do not appear necessary or appropriate.

2) Explain the reason for the degree of urgency:

This rule change is subject to the Standard Rule Change Process.

- 3) Provide any proposed specific changes to particular Rules** (for clarity, please use the current wording of the Rules and place a ~~strikethrough~~ where words are deleted and underline words added)

2.34.14 The IMO must commence using revised Standing Data from:

- (a) 8:00 AM on the Scheduling Day following the IMO's acceptance of the revised Standing Data in the case of:
- i. Standing STEM Submissions;
 - iA. Standing Bilateral Submissions;
 - iB. Standing Resource Plan Submissions;
 - ii. ~~commitment and decommitment~~ cost data and Standing Balancing Data; and
 - iii. Standing Data changes stemming from acceptance of an application under clause 6.6.9;

with the exception that the previous Standing Data remains current for the purpose of settling the Trading Day that commences at the same time as that Scheduling Day; and

- 6.18.1. Subject to clause 6.18.3, Commitment Compensation will be payable by the IMO to a Market Participant (other than the Electricity Generation Corporation) in the event that:

~~6.20.5. Subject to clause 6.20.11, the Maximum Shutdown Price to apply for:~~

- ~~(a) the Relevant Year commencing on 1 October 2004 is equal to \$55/MW; and~~
- ~~(b) for subsequent Relevant Year is the Maximum Shutdown Price for the preceding Relevant Year multiplied by the $\frac{CPI[x]}{CPI[x-1]}$, where $CPI[x]$ represents the weighted average of the Consumer Price Index All Groups values for the eight Australian State and Territory capital cities as determined by the Australian Bureau of Statistics for the quarter ending June 30 immediately preceding the start of the Relevant Year and the $CPI[x-1]$ represents the corresponding value for the quarter ending the preceding June 30.~~

6.20.7.

- (b) must calculate the Maximum STEM Price or Alternative Maximum STEM Price using the following methodology:

$$(1 + \text{Profit Margin}) \times (\text{Variable O\&M} + (\text{Heat Rate} \times \text{Fuel Cost})) / \text{Loss Factor}$$

Where

- i. Profit Margin is the allowable profit margin expressed as a fraction;
- ii. Variable O&M is the variable operating and maintenance costs for a 40 MW open cycle gas turbine generating station expressed in \$/MWh; and include, but is not limited to, start up related costs;
- iii. Heat Rate is ~~the average of~~ based on a 40 MW open cycle gas turbine generating bl((((

- i. ~~average MCAP in Off-Peak Trading Intervals;~~
- ii. ~~the expected duration of shut-downs;~~
- iii. ~~minimum generation capacity of the unit most likely to be required~~ ^{ix} ~~ow~~

(c) for a Scheduled Generator not registered to the Electricity Generation Corporation:

- i. a commitment ~~and de-commitment~~ cost data comprising:
 - 1. a whole dollar amount representing the cost of committing the facility, where this amount must represent reasonable costs incurred in the typical start-up as justified by supporting evidence.
 - 2. ~~a whole dollar amount representing the cost of de-committing the facility, where this amount must not exceed the Maximum Shutdown Price multiplied by the minimum dispatchable loading level defined in b(xiv);~~

4) Describe how the proposed Market Rule change would allow the Market Rules to better address the Wholesale Market Objectives:

This proposal is consistent with 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;

The explicit inclusion of start up costs and using heat rates at minimum capacities in the calculation of the Price Limits would promote economic efficiency by allowing generators to fully recover their Short Run Marginal Costs.

Offers in the Short Term Energy Market and the balancing pay-as-bid prices provide sufficient opportunity for generators to:

- (i) either sell surplus power to avoid an overnight shutdown, or
- (ii) if the balancing service price is low enough, to shutdown the unit and either avoid the losses from continuing to operate or purchase energy needed to fulfil an overnight bilateral position.

Hence, there is no need for an explicit Shut Down payment in the Market Rules and its removal would promote the economic efficiency of the Market.

- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;

A prescribed treatment of start up costs would enable legitimate costs to be

