

Wholesale Electricity Market Rule Change Proposal Form

Change Proposal No: RC_2008_28

Received date: 11 September 2008

Change requested by

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Date submitted:	11 September 2008
Urgency:	High
Change Proposal title:	Eligible Services for Supplementary Reserve Capacity
Market Rule(s) affected:	4.24.3 and 4.24.15

Introduction

Market Rule 2.5.1 of the Wholesale Electricity Market Rules provides that any person (including the IMO) may make a Rule Change Proposal by completing a Rule Change Proposal Form that must be submitted to the Independent Market Operator.

This Change Proposal can be posted, faxed or emailed to:

Independent Market Operator

Attn: Dora Guzeleva, Manager Market Administration
PO Box 7096
Cloisters Square, Perth, WA 6850

Fax: (08) 9254 4399

Email: marketadmin@imowa.com.au

The Independent Market Operator will assess the proposal al ainc25 0 Td [)4.47947(n)1.27947()-2.7819(a

Details of the proposed Market Rule Change

1. Describe the concern with the existing Market Rules that is to be addressed by the proposed Market Rule change:

This rule change proposal has been borne out of the Supplementary Reserve Capacity (SRC) Working Group's deliberations on what services should be eligible to partake in the SRC process.

Currently the Market Rules confine these eligible services to:

- (a) load reduction, that is measures to reduce a consumer's consumption of electricity supplied through the SWIS, but excluding reductions associated with the operation of Registered Facilities (including registered Loads); and
- (b) the generation of electricity by generation systems that are not Registered Facilities.

The Working Group unanimously agreed that the core objective of SRC is to ensure reliability while maintaining economic efficiency. With this in mind, the Working Group has decided to allow some Registered Facilities to participate in the SRC process. However, the Working Group decided to limit the participation of Registered Facilities to those that are unlikely to be in a position to take undue advantage of the SRC process.

Under this rule change proposal, the Registered Facilities which are permitted to enter the SRC process include those facilities with spare capacity (i.e. capacity that does not hold Capacity Credits) in the current Reserve Capacity cycle but which hold capacity credits for future cycles. This condition is necessary so as to prevent Registered Facilities with capacity credits in previous Reserve Capacity cycles from withholding them from the normal capacity credit processes so as to activate the SRC process and benefit from much higher prices.

This rule change proposal also clarifies that Market Customers with a Demand Side Programme that have failed to satisfy their Reserve Capacity Obligations in accordance with clause 4.8.3(d) cannot participate in the SRC process.

Given the fact that the use of SRC may place a considerable financial burden on the market and that it was intended to be very infrequent event, a regular review of the SRC process against the market objectives was suggested by the Working Group.



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

called, the appropriate capacity will be available to participate in the process.

5. Provide any identifiable costs and benefits of the change:

Costs

No costs associated with implementing this proposed rule change have been identified.

Benefits

The proposed rule change supports the Market Objectives as outlined in section 4 of this proposal.
