



Wholesale Electricity Market Rule Change Proposal

Change Proposal No: RC_2010_14
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Change requested by

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Urgency:	



In order for the proposal to be progressed, all fields below must be completed and the proposal must explain how it will enable the Market Rules to better contribute to the achievement of the wholesale electricity market objectives. The objectives of the market are:



Key project dates for new facilities.

The process of certification takes place between mid-July and early August each year.

Issues

The IMO has identified a number of issues with the Market Rules surrounding certification of Reserve Capacity as part of its ongoing review of the Market Rules and during the recently





	Description of event	Current date	Proposed date	Clause
1	IMO publishes the Statement of Opportunities and releases the Reserve Capacity Information Pack	1 July	17 June	4.1.8 and 4.1.9
2	IMO publishes Reserve Capacity Information Pack on website	15 July	24 June	4.1.10
3	IMO ceases to accept lodgement of applications for certification of Reserve Capacity	20 July	1 July	4.1.11
4	IMO notifies applicants of Certified Reserve Capacity	5 August	19 August	4.1.12
5	Participants provide Reserve Capacity Security for capacity to be traded bilaterally	10 August	2 September	4.1.13
6	Participants make Bilateral Trade Declaration	10 August	2 September	4.1.14
7	IMO confirms the amount of capacity that can be traded bilaterally	1 business day after (3)	1 business day after (3)	4.1.15
8	IMO advises whether Reserve Capacity Auction is required	18 August	2 business days after (3)	4.1.16
9	If no auction required, assign Capacity Credits	Not explicit	2 business days after (3)	4.1.16
10	Reserve Capacity Auction submission window opens	20 August	3 business days after (3)	4.1.17(a)
11	Reserve Capacity Auction submission window closes	29 August	14 September	4.1.17(b)
12	Participants provide Reserve Capacity Security for capacity offered into Reserve Capacity Auction	27 August	14 September	4.1.13
13	IMO runs the Reserve Capacity Auction and publishes results	1 September	15 September	4.1.18
14	Participants who had capacity scheduled in the Reserve Capacity Auction confirm how many Capacity Credits each Facility will provide and whether Special Price Arrangements will be accepted	20 December	21 September	4.1.20
15	Where applicable, IMO notifies Participants that Reserve Capacity Security is no longer required, or returns cash deposits; IMO confirms Capacity Credits if auction held	23 December	24 September	4.1.21
16	If Reserve Capacity Auction held, assign Capacity Credits	Not in current rules	24 September	(new) 4.1.21A



R: [REDACTED]
6

In discussing the assignment of Certified Reserve Capacity, the Market Rules makes reference to “the application” and “applicant”. This section does not specifically refer to the application for Certified Reserve Capacity, nor does it require compliance with the requirements of section 4.10. Also, the Market Rules do not explicitly state that the application should include evidence to support the information provided in accordance with section 4.10.

Proposed Solution

The IMO proposes to update the Market Rules to specifically require Market Participants to provide an application for Certified Reserve Capacity in compliance with section 4.10 and to provide supporting evidence for the information provided in the application (clauses 4.11.1 and 4.11.2).

R: [REDACTED] **1**

The Market Rules currently require the IMO to assess the level of capacity “likely to be available ... at daily peak demand times” (clause 4.11.1(a)) in assessing an application for Certified Reserve Capacity. The IMO considers that this statement requires further clarification in the Market Rules.

There is ambiguity in the Market Rules around the ability to award Capacity Credits to a Non-Scheduled Generator according to the methodology described in clause 4.11.1(a). A key component of the Reserve Capacity Target is the reserve margin, which allows for the unexpected unavailability of one or more generators on the SWIS. A Non-Scheduled Generator, unable to be directed by System Management to increase its output in the event of Forced Outages, cannot contribute to the reserve margin and thus cannot be expected to be available at “peak demand times”. Such a Facility should, therefore, only be eligible for certification under the methodology typically used for Intermittent Generators, as described in clause 4.11.2(b). This methodology currently considers average output during the previous three years.

The requirement for a peaking plant to have sufficient fuel to support operation for 14 hours each day for 10 months of the year is extremely onerous and could result in Market Participants incurring unnecessary additional costs. It is unlikely that peaking plants will be required to operate at this level so it would be reasonable to clarify the availability requirement to refer to Peak Trading Intervals on Business Days, particularly given that system demand is typically lower on weekends and public holidays.

The Market Rules state that in order for a Facility to be certified as dual fuel it must have sufficient supply and/or supply of the back-up fuel to maintain 12 hours of operation. However, the Market Rules do not state the required level of operation.



Proposed Solution

The IMO proposes to:

stipulate that the methodology described in clause 4.11.1(a) is only applicable to Scheduled Generators;

clarify the requirement in clause 4.11.1(a) for Facilities to be “likely to be available ... for Peak Trading Intervals on Business Days” to clarify the fuel requirements; and

clarify in clause 4.10.2 that dual-fuelled Facilities must be able to operate for 12 hours at the requested level of Certified Reserve Capacity.

4: 2p

In order to grant Certified Reserve Capacity to a Facility, the IMO reviews the arrangements for the Facility to gain transmission access. The Market Rules refer to an “Access Offer”, which is inconsistent with the Access Proposals issued by Western Power. The Access Offer, or Electricity Transfer Access Contract (ETAC) is rarely issued sufficiently in advance to be able to reviewed at the time when a Facility is first certified.

Proposed Solution

The IMO proposes to replace the phrase “Access Offer” with “Access Proposal” in the Market Rules. This aligns the Rules with the terminology used by Western Power (clauses 4.2.7, 4.4.1, 4.10.1 and the Glossary).

5: 1p

Clause 4.10.1(c) of the Market Rules requires that applicants for Certified Reserve Capacity must provide evidence of transmission access and environmental approvals for Facilities that have yet to enter service. Environmental approvals and ETACs typically have expiry dates, so it is reasonable for the IMO to review these approvals for all Facilities as part of its assessment for Certification of Reserve Capacity. By widening this requirement to all Facilities, the IMO will be able to confirm the ongoing validity of these approvals.

In addition, some Access Proposals or ETACs incorporate Run-Back Schemes that may inhibit the availability of a Facility during peak demand times. The Market Rules do not currently consider these arrangements, nor do they provide any link between the level of access and the level of Certified Reserve Capacity.

Proposed Solution

The IMO proposes to require that evidence of transmission access and environmental approval be provided for all Facilities (clause 4.10.1). The IMO also proposes to require that Market Participants provide information about any network constraints that may impact the availability of the capacity of the Facility (clauses 4.11.1 and 4.11.5).



8: ~~IMO~~

Applications for Certified Reserve Capacity for Intermittent Generators that have yet to enter service must include a report prepared by an accredited expert. The use of the expert report requires clarification in the Market Rules.

The Market Rules state that the IMO “must” use the expert report provided for the Facility, even when the information contained in the expert report is potentially invalid.

The Market Rules currently imply that a Participant must produce a new report each year that will estimate the Facility output over the preceding three years. Given that the report is unlikely to vary significantly from previous versions, this may require additional, unnecessary cost to the Market Participant.

The Market Rules do not currently require the provision of an expert report for an in-service Facility that has not yet operated for the full period of performance assessment. In this scenario, the Market Rules state that the IMO must estimate the Facility output for the remainder of the assessment period but do not necessarily require the use of the expert report in this case.

Proposed Solution



B: ~~XXXX~~

Section 4.28C of the Market Rules, covering the Early Certification of Reserve Capacity, contains erroneous references to Registered Facilities. New Facilities may not be registered at the time that an application for certification of Reserve Capacity is submitted.

Proposed Solution

The IMO proposes to correct the erroneous references to Registered Facilities contained in section 4.28C.

D: ~~XXXX~~

The IMO is currently required to provide each Market Participant with the “calculations upon which the IMO’s determinations are based” when advising the Participant of the amount of Certified Reserve Capacity being assigned to each Facility (clause 4.9.9(e)). Given the large number of Facilities, this is an onerous requirement for the IMO.

Proposed Solution

The IMO proposes to amend the Market Rules to state that the IMO must provide these calculations when requested to do so by a Market Participant (clause 4.9.9(e)).

H: ~~XXXX~~

The IMO is currently permitted to publish Capacity Credit information by Facility. One Market Participant has suggested that the IMO could similarly publish the quantity of Certified Reserve Capacity assigned to each Facility prior to the Bilateral Trade Declaration process.

The publication of such information could assist Participants in assessing whether to withdraw some Certified Reserve Capacity in an over-supply scenario. Such a result could reduce the number of Capacity Credits awarded through market forces and thus lower the total cost of capacity in the market. There may be a risk that the publication of this data could encourage Participants to force a Reserve Capacity Auction, and potentially a higher Reserve Capacity Price, if the level of Certified Reserve Capacity matches, or fails to reach, the Reserve Capacity Requirement.

Proposed Solution

The IMO proposes to publish of the quantity of Certified Reserve Capacity assigned to each Facility on the same day that each Market Participant is notified of its Certified Reserve Capacity (clauses 4.4.9A and 10.5.1).

I1: ~~XXXX~~

The Market Rules are currently silent on the subject of changes to a Facility after it has been awarded Certified Reserve Capacity and do not preclude changes to the Facility details from the time it is assigned Capacity Credits. Changes to the design of a Facility may be such that the IMO should reassess the Facility to confirm that the change would not have



prevented the IMO from assigning Certified Reserve Capacity. Such a reassessment would require the payment of an Application Fee to the IMO, similar to the requirements for applications for conditional certification or subsequent Early Certified Reserve Capacity.

Proposed Solution

The IMO proposes that Market Participants should provide a summary of the main components of the Facility in their application for Certified Reserve Capacity (clause 4.10.1). The IMO also proposes that Market Participants be obliged to advise the IMO of any changes to the information provided in applications for Certified Reserve Capacity (new clause 4.10.4).

The IMO would then review the changes and determine whether it would need to reassess the Facility to determine whether it still meets the requirements or Certified Reserve Capacity (new clause 4.11.10). The Market Participant will pay a fee to the IMO for this reassessment (clause 4.9.3(c)).

4.2: ~~FCM~~

Once Capacity Credits are assigned to a new Facility for the first time, the Market Participants must provide 3-monthly progress reports from the date that the assignment of Capacity Credits is confirmed until the start of the calendar year in which the Facility was initially scheduled to commence operation. The Market Participant must then provide monthly progress reports until the project commences operation. The progress report may include a revised nomination for the date that Facility is scheduled to be able to fully meet its Reserve Capacity Obligations.

Clause 4.27.11A of the Market Rules requires that the IMO “must not approve a nomination for a date which would have prevented the IMO from assigning Certified Reserve Capacity to a Facility” and must advise the Market Participant within 10 business days of its decision to reject the nomination and the reason for doing so. In the event that a project is delayed and the completion date is pushed beyond the 4-month window in which Reserve Capacity Obligations can commence, this clause forces the IMO to reject every subsequent progress t. The Market



3. Provide any proposed specific



~~Reserve Capacity is specified to be traded bilaterally in accordance with clause 4.14.1(c); or~~

- ~~(i) 10 August of Year 1 of the relevant Reserve Capacity Cycle if any of the Facility's Certified Reserve Capacity is specified to be traded bilaterally in accordance with clause 4.14.1(c); or~~
 - ~~(ii) 29 August of Year 1 of the relevant Reserve Capacity Cycle if any of the Facility's Certified Reserve Capacity is specified to be offered into the Reserve Capacity Auction in accordance with clause 4.14.1(a) and where none of the Facility's Certified Reserve Capacity is specified to be traded bilaterally in accordance with clause 4.14.1(c).~~
- (b) ~~for Reserve Capacity Cycles from 2011 onwards: 29 August of Year 1 of the relevant Reserve Capacity Cycle if any of the Facility's Certified Reserve Capacity is specified to be offered into the Reserve Capacity Auction in accordance with clause 4.14.1(a) and where none of the Facility's Certified Reserve Capacity is specified to be traded bilaterally in accordance with clause 4.14.1(c).~~
- ~~(i) 2 September of Year 1 of the relevant Reserve Capacity Cycle if any of the Facility's Certified Reserve Capacity is specified to be traded bilaterally in accordance with clause 4.14.1(c); or~~
 - ~~(ii) 14 September of Year 1 of the relevant Reserve Capacity Cycle if any of the Facility's Certified Reserve Capacity is specified to be offered into the Reserve Capacity Auction in accordance with clause 4.14.1(a)~~



- (a) 16 September 2005, in the case of the first Reserve Capacity Cycle; and
- (b) 18 August of Year 1, in the case of subsequent Reserve Capacity Cycles up to and including 2010; and
- (c) the first Business Day following the confirmation deadline specified in clause 4.1.15, in the case of Reserve Capacity Cycles from 2011 onwards.

If the Reserve Capacity Auction is cancelled, the IMO will assign Capacity Credits on the same day in accordance with clause 4.20.5A(a).

4.1.17. If a Reserve Capacity Auction proceeds, then the IMO must accept submission of Reserve Capacity Offers from Market Participants in accordance with clause 4.17.2:

- (a) from 9 AM of the first Business Day falling on or following:
 - i. 20 September 2005 of Year 1, in the case of the first Reserve Capacity Cycle; and
 - ii. 20 August of Year 1, in t20 August o6/P €



(b) must publish the results in accordance with clause 4.19.5 by 5 PM of that day.

4.1.20. Each Market Participant holding Certified Reserve Capacity ~~to be traded bilaterally~~ ~~or~~ which has been scheduled by the IMO in a Reserve Capacity Auction must provide to the IMO:

(a) notification, in accordance with clause 4.20, of how many Capacity Credits each Facility will provide; and

(b) notification of any Long Term Special Price Arrangements to be accepted in accordance with clause 4.22,

not later than 5 PM of the last Business Day falling on or before 21 September 20 ~~December~~ of Year 1 of the relevant Reserve Capacity Cycle.

4.1.21. Not later than 5 PM of the last Business Day falling on or before 24 September 23 ~~December~~ of Year 1 of a Reserve Capacity Cycle, the IMO must, in accordance with clause 4.13.10:

(a) notify a Market Participant that has provided a Reserve Capacity Security for a Facility that the Reserve Capacity Security is no longer required; and

(b) return any Reserve Capacity Security which was provided in the form of a cash deposit,

in the event that the Market Participant does not hold Capacity Credits for the Facility to which the Reserve Capacity Security relates in the relevant Reserve Capacity Cycle.

4.1.21A. Not later than 5 PM of the last Business Day falling on or before 24 September of Year 1 of a Reserve Capacity Cycle, the IMO must, in the event that a Reserve Capacity Auction was required, assign Capacity Credits in accordance with clause 4.20.5A.

The following changes will change the phrase "Access Offer(s)" to "Access Proposals" as proposed in the discussion of Issue 4.
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4.2.7. By the date and time specified in clause 4.1.6, the IMO must publish the following information:

(a) the number of Expression of Interests received;

(b) based on the Expression of Interests, the additional Reserve Capacity potentially available, categorised as:

i. capacity associated with Facilities that are committed; and



- ii. capacity associated with Facilities that are not yet committed, where this capacity is to be further categorised between new Facilities for which:
 - 1. an offer by the relevant Network Operator to enter into an Arrangement for Access ("**Access Proposal Offer**") has been made and all necessary Environmental Approvals granted;
 - 2. applications for both Access Proposals ~~Offers~~ and Environmental Approvals have been made and one or both are being processed;
 - 3. no Access Proposal Offer has been applied for or some or all Environmental Approvals have not been applied for;
 - ...

4.4.1. An Expression of Interest for a Reserve Capacity Cycle must include the following information: ii. iany -2115(a[(nforsn)-6(t for Access)])TJEMC /Span 21MCID 5 BDC 0.0009 Tc0 63



The following amendment updates a reference as a result of the changes proposed in the discussion of Issue 6.

- 4.9.5. If the IMO assigns Certified Reserve Capacity to a Facility for a future Reserve Capacity Cycle under clause 4.11 (“**Conditional Certified Reserve Capacity**”):
- ...
- (c) if the IMO is satisfied that the application re-lodged in accordance with paragraph (b) is consistent with the information upon which the Conditional Certified Reserve Capacity was assigned and is correct, then the IMO must confirm:



...

(dA) a description of the main components of the Facility;



(d) remove duplication associated with the use of the expert report for Intermittent Generation Facilities that have yet to enter service (issue 6); and

(e) widen the consideration of transmission constraints to all network constraints in the assessment of Certified Reserve Capacity for a Facility that will be subject to a Network Control Service contract (issue 7).





applicant for Certified Reserve Capacity is complete, accurate and up to date; and

...

The following new clause will require the IMO to review any information relating to a Facility, provided by a Market Participant, which has changed since that Facility was granted Certified Reserve Capacity and will allow the IMO to determine whether the changes require the IMO to reassess the assignment of Certified Reserve Capacity for that Facility, as proposed in the discussion of Issue 11.

4.11.10. Upon the receipt of advice provided in accordance with clause 4.10.4 for a Facility that has already been assigned Capacity Credits for the relevant Capacity Year, the IMO must review the information provided and decide whether it is necessary for the IMO to reassess the assignment of Certified Reserve Capacity to the Facility. If this information would have resulted in the IMO assigning a lower, non-zero level of Certified Reserve Capacity the IMO must reduce the Capacity Credits assigned to that Facility accordingly and must advise the Market Participant within 90 days of receiving the submission.

The following changes will clarify the timing of the assignment of Capacity Credits to Facilities and the publication of this information, as proposed in the discussion of Issue 1. Some punctuation is also corrected.

4.15.1. If the information provided under clauses 4.14 and 4.28C indicates that no



(b) the number of those Capacity Credits the Market Participant anticipates will





...

(f) the following Reserve Capacity information (if applicable):

...

iiiA. for each Market Participant that was assigned Certified Reserve Capacity, the level of Certified Reserve Capacity assigned to each Facility for each Reserve Capacity Cycle;

...

The following changes will change the phrase "Access Contract" to "Access Proposals" as proposed in the discussion of Issue 4.

(In Glossary)

Access Proposal Offer: Has the meaning given in clause 4.2.7(b)(ii)(1).

The following changes are to Market Rules amended in RC_2010_12 and will only come into effect if RC_2010_12 and this Rule Change Proposal are both accepted.

4.13.10 If a Market Participant that provides Reserve Capacity Security in respect of a Facility either:

- (a) operates the Facility at a level which is at least 90 percent of its Required Level, scaled to the level of Capacity Credits specified in clause ~~4.20.1(a)~~ 4.20.5A, in at least two Trading Intervals before the end of the relevant Capacity Year;
- (b) provides the IMO with a report under clause 4.13.10C, which specifies that at least 90 percent of the Facility has been built; and
- (c) is considered by the IMO to be in Commercial Operation,

then the IMO will return the Reserve Capacity Security to the Market Participant

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(b) is considered by the IMO to be in Commercial Operation.

4.26.1. If a Market Participant holding Capacity Credits associated with a generation system fails to comply with its Reserve Capacity Obligations applicable to any given Trading Interval then the Market Participant must pay a refund to the IMO calculated in accordance with the following provisions.

REFUND TABLE

Dates	1 April to 1 October	1 October to 1 December	1 December to 1 February	1 February to 1 April
Business Days Off-Peak Trading Interval Rate (\$ per MW shortfall per Trading Interval)	0.25 x Y	0.25 x Y	0.5 x Y	0.75 x Y
Business Days Peak Trading Interval Rate (\$ per MW shortfall per Trading Interval)	1.5 x Y	1.5 x Y	4 x Y	6 x Y
Non-Business Days Off-Peak Trading Interval Rate (\$ per MW shortfall per Trading Interval)	0.25 x Y	0.25 x Y	0.5 x Y	0.75 x Y
Non-Business Days Peak Trading Interval Rate (\$ per MW shortfall per Trading Interval)	0.75 x Y	0.75 x Y	1.5 x Y	2 x Y
Maximum Participant Refund	The total value of the Capacity Credit payments paid or to be paid under these Market Rules to the relevant Market Participant for the 12 Trading Months commencing at the start of the Trading Day of the previous 1 October assuming the IMO acquires all of the Capacity Credits held by the Market Participant and the cost of each Capacity Credit so acquired is determined in accordance with clause 4.28.2(b), (c) and (d) (as applicable).			

Where:

For an Intermittent Facility that:

(a) has operated at 100 percent of its Required Level, scaled to the leve





technologies are equivalently treated (Market Objective (c)). In particular, the IMO considers the Market Rules currently unnecessarily discriminate against peaking plant.

Additionally, the IMO considers that clarifying that Non-Scheduled Generators, that are unable to increase output when instructed by System Management, can not be certified under the methodology described under clause 4.11.1(a) will promote the safe and reliable supply of electricity in the SWIS (Market Objective (a)). By ensuring that facilities are certified via the correct methodology, the availability of the Facility for the purposes of supplying capacity during peak periods will be correctly identified for the purposes of System Management.

The IMO considers the proposed amendments to clarify that a dual-fuelled facility must be able to operate for 12 hours at the requested level of Certified Reserve Capacity is consistent with the Market Objectives.

14: ~~14~~ ~~14~~

The IMO considers the changes proposed to the terminology of transmission access requirements will be consistent with the Wholesale Market Objectives.

15: ~~15~~ ~~15~~

The IMO considers that the changes to require evidence of transmission access and environmental approval for all Facilities and the expansion of the consideration of network constraints that may impact the availability of the capacity will have the following impact on the Market Objectives:

Impact	Market Objectives
Allow the Market Rules to better address the objective.	a
Consistent with objective.	b, c, d, e
Inconsistent with objective.	

The IMO considers that consideration of up-to-date transmission access and environmental approvals in the certification process for existing facilities will help ensure the required level of reliable capacity available in the SWIS. Further by ensuring that any network constraints, for both new and existing facilities, are taken into account the safety and reliability of the SWIS will be promoted (Market Objective (a))

16: ~~16~~ ~~16~~

The IMO considers the changes clarifying the Market Rules around Intermittent and other Non-Scheduled Generators will have the following impact on the Market Objectives:

Impact	Market Objectives
Allow the Market Rules to better address the objective.	a
Consistent with objective.	b, c, d, e



Inconsistent with objective.

The IMO considers that the ability to consider the validity of an expert report will ensure facilities are assigned Certified Reserve Capacity on the most appropriate basis. This will promote Power System Security and reliability by ensuring the capacity requirements for the SWIS are met by the IMO during certification (Market Objective (a)).

The IMO considers that the other proposed amendments to:

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The IMO considers the change to no longer require the IMO to repeatedly inform a late facility that its progress report is rejected will have the following impact on the Market Objectives:

Impact	Market Objectives
Allow the Market Rules to better address the objective.	a
Consistent with objective.	b, c, d, e
Inconsistent with objective.	

The IMO considers that by not being required to repeatedly inform a Market Participant of a reject of its progress report if it is late the allocative efficiency of IMO resources will be promoted (Market Objective (a))

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

Costs:

The IMO would require some changes to its internal operating procedures.

The IMO would be required to amend the Reserve Capacity Market Procedures.

Market Participants may require some minor changes to systems and internal procedures.

A process fee would be charged to a Market Participant where that Market Participant makes changes to the design of a Facility that require a reassessment to confirm that the Facility still meets the requirements for Certified Reserve Capacity. It is proposed to that the reapplication fee will be aligned with the fee for an application for conditional certification or a subsequent application for Early Certified Reserve Capacity.

Benefits:

Clarity of process and appropriate timelines will assist new investors, current Market Participants and the IMO.

The requirements for Certified Reserve Capacity will be strengthened, providing greater assurance of reliability of the supply of electricity.