

Independent Market Operator



Rule Change Notice

Title: Intermittent Generator Downward Dispatch Amendment

Ref: RC_2007_02

Date: 11 May 2007

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Independent Market Operator

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INTRODUCTION

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

The IMO will assess the proposal and, within 5 Business Days of receiving the Rule Change Proposal Form, will notify the proponent whether the Rule Change Proposal will be progressed further.

In order for the proposal to be progressed the change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the Wholesale Market Objectives. 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.

A rule change proposal can be processed using a Standard process or a Fast Track process. The Standard process involves a combined 10 weeks public submission period, while the Fast Track process involves the IMO consulting with Rule Participants who either advise the IMO that they wish to be consulted or the IMO considers have an interest in the change.

THE RULE CHANGE PROPOSAL

The Submission

IMO received, on 3 May 2007, a Rule Change Proposal from Alinta Sales Pty Ltd (Alinta) regarding a change to clauses 6.17.6 (c), 7.7.5A and 7.7.5B of the Wholesale Electricity Market Rules.

This Rule Change Notice is published according to Market Rule 2.5.7, which requires the IMO to publish a notice within 7 Business Days of receiving a Rule Change Proposal.

Submission details

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Date submitted: 03/05/2007
Urgency: High
Change Proposal title: Intermittent Generator Downward Dispatch Amendment

Details of the Proposal

Alinta raises two issues in its proposal. The first one relates to current differences in how the Market Rules treat Scheduled Generators and Non-Scheduled Generators in regard to dispatch instruction payments. The second issue relates to how the downward dispatch quantity is calculated when a Non-Scheduled Generator is dispatched down.

These issues are addressed in turn below:

1. Non-Scheduled Generators – Dispatch Instruction Payment

Under the current Market Rules, clauses 6.17.6(c) and 9.8.1, Non-Scheduled Generators are treated differently than Scheduled Generators in regard to downward dispatch instruction payments, after being dispatched down by System Management.

Alinta is concerned that this difference results in potential adverse outcomes for Non-Scheduled Generators, compared to Scheduled Generators.

Including the imbalance, the Effective Downward Dispatch Instruction Payment, (EDDIP) as calculated according to clause 9.8.1, for a Scheduled Generator is:

$$a). \text{ EDDIP} = \text{Dispatch Quantity} * (\text{Bid Price})$$

The EDDIP for a Non Scheduled Generator is:

$$b). \text{ EDDIP} = \text{Dispatch Quantity} * (\text{MCAP} + \text{Bid Price})$$

Under *a)*, Scheduled Generators always pay or are paid their bid price and the MCAP value does not impact upon this.

Under *b)*, Non Scheduled Generators could be adversely impacted in instances where $\text{MCAP} > 0$. This is because the Bid Price for a downward dispatch instruction may be a negative value, while MCAP is a positive value. In *a)* above, the negative Dispatch Quantity multiplied by a negative Bid Price results in a positive EDDIP. In *b)*, the EDDIP is lower due to a positive MCAP value (>0) added to a potentially negative Bid Price.

Alinta's proposal is to remove this inequality, by ensuring that Scheduled Generators and Non Scheduled Generators are treated in the same way in regard to Dispatch Instruction Payments. It is also proposed to clarify that the downward dispatch quantity is a negative value.

Proposed changes to clause 6.17.6 (c):

- (c) the sum over all Non-Scheduled Generators registered by the Market Participant of the amount that is the product of:
 - i. the quantity, defined as a negative value, by which the Non-Scheduled Generator was instructed by System Management to reduce its output (where for the purpose of this calculation a Loss Factor adjustment is to be applied to the quantity specified by System Management so that the result is measured at the Reference Node); and
 - ii. the Standing Data price defined in Appendix 1(e)(v) that was current at the time of the Trading Interval for the Non-Scheduled

Generator for a decrease in generation, (accounting for whether the Trading Interval is a Peak Trading Interval or an Off-Peak Trading Interval) less MCAP for the Trading Interval;

2. Non Scheduled Generators - Dispatch Quantity

For Non Scheduled Generators, clause 7.7.5A states that:

- the Dispatch Quantity is relative to their Resource Plan; unless
- no Resource Plan is submitted – then the Dispatch Quantity is based upon System Management’s estimate of the output reduction for the dispatch period.

Alinta considers that under the current clause 7.7.5A, a Non Scheduled Generator may be disadvantaged in the circumstances of a particular combination of a level of downward Dispatch Quantity, the submitted Resource Plan Quantity and a potentially estimated output for the dispatch period. This disadvantage will occur in cases where the estimated output is higher than the quantity specified in the Resource Plan.

Alinta’s proposal is to change the way in which System Management determines the estimated output from a Non Scheduled Generator. This change will provide for System Management to first look at available data, (for example wind speed data for a wind farm), and, if no such data is available, look at the data specified in the Resource Plan.

Proposed changes to 7.7.5A

7.7.5A. For the purpose of determining the quantity described in clause 6.17.6(c)(i) for each Trading Interval, the quantity is:

- (a) where System Management has been provided with information in accordance with clause 7.7.5B, System Management’s estimate of the MWh reduction in output, by Trading Interval, of the Non-Scheduled Generator as a result of System Management’s Dispatch Instruction; or
- (b) in the case of a Non-Scheduled Generator included in a Resource Plan, for which System Management has not been provided with information in accordance with clauses 7.7.5B, the greater of zero and the MWh difference between the Resource Plan MWh quantity of the Non-Scheduled Generator less the MWh output of the Non-Scheduled generator over the Trading Interval implied by its Dispatch Instruction.

Proposed changes to 7.7.5B

7.7.5B. A Market Participant may provide System Management with information specified in the Power System Operation Procedure to support the calculation of the quantity described in clause 7.7.5A(a).

The Proposal and the Market Objectives

Alinta submits that the proposed rule changes will ensure that Market Participants receiving downward dispatch instructions would be treated equally, i.e. Non-Scheduled Generators would not be disadvantaged relative to Scheduled Generators.

WHETHER THE PROPOSAL WILL BE PROGRESSED FURTHER

The IMO has decided to proceed with the proposal on the basis that the IMO's preliminary assessment indicated that the proposal is consistent with the Market Objectives.

In its proposal, Alinta requested that the IMO consider whether it would be appropriate to Fast Track the proposal.

The Market Advisory Committee (MAC) considered whether it was appropriate to Fast Track this change at its meeting on 28 March 2007. Given the potential financial consequences of the change, the general view of MAC was that all interested Market Participants should have the right to provide submissions on the proposed change and that the Standard Rule Change Process would therefore be the preferred option for progressing this change.

Taking into account MAC's views, and the IMO's own assessment that this proposal may not fulfil the criteria for Fast Tracking a rule change (as defined in clause 2.5.9 of the Market Rules) the IMO has decided to progress this proposal using the Standard Rule Change Process, described in section 2.6 of the Market Rules.

The projected timelines for processing this proposal are:

- This Rule Change Notice published 11/05/2007
- Submission period 11/05/2007 - 22/06/2007
- Draft Report published 20/07/2007
- Second submission period 20/07/2007 - 17/08/2007
- Final Report published 14/09/2007

CALL FOR SUBMISSIONS

The IMO wishes to receive submissions regarding this proposal. The submission period is 6 weeks from the publication date of this notice. Submissions must be delivered to the IMO by close of business on **Friday 22 June 2007**.

The IMO prefers to receive submissions by email to marketadmin@imowa.com.au

Submission may also be sent to the IMO by post or fax, addressed to:

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