

Independent Market Operator



Rule Change Notice

Title: Treatment of DSM in outage planning and PASA

Ref: RC_2007_03

Date: 11 May 2007

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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 System Management proposing changes to sections 3.16, 3.17, 3.18 and 3.19 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

Name: Alistair Butcher
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Organisation: System Management
Date submitted: 03/05/2007
Urgency: 3 - high
Change request title: Treatment of DSM in outage planning and PASA

Details of the Proposal

The outage planning process (clauses 3.18 and 3.19 of the Market Rules) and the Projected Assessment of System Adequacy (PASA) (clauses 3.16 and 3.17) provisions require System Management to take Demand Side Management (DSM) into account in these processes. System Management submits that it is not practicable to adhere to these requirements in the outage planning and PASA processes, due to the level of uncertainty surrounding DSM (e.g. limitations on frequency of its availability) and the inherent danger for system security of overstating system margins.

System Management considers that there should be some discretion in the inclusion of DSM when determining available capacity, and thus the requirement to take DSM into account should not be mandatory.

System Management proposes the follow changes to address this issue:

a. Revision to clause 3.18.11(aA) from:

The capacity of the total generation and Demand Side Management Facilities remaining in service must satisfy the Ready Reserve Standard described in clause 3.18.11A;

to

The total capacity of the generation Facilities remaining in service, which may at System Management's discretion include Demand Side Management, must satisfy the Ready Reserve Standard described in clause 3.18.11A;

b. Revision to clause 3.19.6(a) from:

The capacity of the generation and Demand Side Management Facilities remaining in service must be greater than the load forecast for the relevant time period.

to

The capacity of the generation Facilities remaining in service, which may at System Management's discretion include Demand Side Management, must be greater than the load forecast for the relevant time period.

c. Deletion of clause 3.16.9(c) and inclusion of new clause 3.16.9A:

3.16.9(c)

~~forecast total available Demand Side Management capacity by week and by constrained region;~~

New 3.16.9A:

In submitting the information described in clause 3.16.9, System Management may, but is not required to, include forecast total available Demand Side Management capacity by week and by constrained region.

d. Revision to clause 3.16.9(d)(iii) from:

the total available Demand Side Management capacity;

to

the total available Demand Side Management capacity, which may be included at System Management's discretion.

e. Deletion of clause 3.17.9(c) and inclusion of new clause 3.17.9A:

3.17.9(c)

~~forecast total available Demand Side Management capacity by six-hour period;~~

New 3.17.9A:

System Management may, but is not required to, include in the results of a Short Term PASA study which is provided to the IMO the forecast total available Demand Side Management capacity by six-hour period.

f. Revision to clause 3.17.9(d)(iii) from:

the total available Demand Side Management capacity;

to

the total available Demand Side Management capacity, which may be included at System Management's discretion.

The Proposal and the Market Objectives

System Management submits that the proposed rule changes would promote the economically efficient, safe and reliable production and supply of electricity in the SWIS.

System Management states in its proposal that “[r]evising the mandatory obligation to take into account demand side management ensures that the actual practice of outage planning, which removes the inherent uncertainty of demand side management from the determination of available capacity, is reflected in the Market Rules, and thereby aids the safe and reliable supply of electricity”.

WHETHER THE PROPOSAL WILL BE PROGRESSED FURTHER

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

The proposal will be progressed according to 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

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

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