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## Wholesale Electricity Market Suggestion for a Market Procedure change (To be referred to the Market Procedures Working Group)

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### Change requested by

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<b>Date submitted:</b>	7/3/2008
<b>Urgency:</b>	High
<b>Procedure change title:</b>	Clarification for individual distribution loss factors
<b>Market Procedure(s) affected:</b>	Market procedure for determining loss factors

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### Introduction

The IMO or System Management, as applicable, may initiate the Procedure Change Process by developing a Procedure Change Proposal. Rule Participants may notify the IMO or System Management, as applicable, where they consider an amendment or replacement of a Market Procedure would be appropriate.

If an Amending Rule requires the IMO or System Management to develop new Market Procedures or to amend or replace existing Market Procedures, then the IMO or System Management, as applicable, is responsible for the development of, amendment of or replacement for, Market Procedures so as to comply with the Amending Rule.

Market Procedures:

- (a) must:
  - i. be developed, amended or replaced in accordance with the process in the Market Rules;
  - ii. be consistent with the Wholesale Market Objectives; and
  - iii. be consistent with these Market Rules, the Electricity Industry Act and Regulations; and

- (b) may be amended or replaced in accordance with clause 2.10 and must be amended or replaced in accordance with clause 2.10 where a change is required to maintain consistency with Amending Rules.

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.

This Procedure 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](mailto:marketadmin@imowa.com.au)

## **Details of Procedure Change Requested**

### **1. Provide a reason for the proposed new, amended or replacement Market Procedure:**

Western Power is proposing the changes to the procedure to:

- document the calculation methodology of individual distribution loss factors (previously this was documented in schedule 4 of the Electricity Distribution Regulations 1997).
- remove the choice of an individual distribution loss factors for customers between 1,000 kVA and 7,000 kVA. All customers between 1,000 and 7,000 kVA must use an average distribution loss factor - as proposed in the October 2007 MAC meeting.
- allow distribution loss factors to be calculated every three years rather than on an annual basis. Distribution loss factors are relatively stable and there is no benefit to the market by undertaking the calculations on more frequent basis. The costs associated with the re-calculation of distribution loss factors are not insignificant and the three yearly calculation cycle provides a balance between the stability of distribution loss factors and the associated costs of re-calculation.

- describe that the process by which retailers will be notified of loss factors is via the Build Pack.

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**2. Provide the wording of the new or amended Procedure** *(as applicable)*

Please refer to the attached marked up copy of the *Market procedure for determining loss factors*

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**Procedure change no:** *(to be filled in by the IMO)*

**Received date:** *(to be filled in by the IMO)*

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