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## Wholesale Electricity Market Pre Market Rule Change Discussion Paper

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### Submitted by

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<b>Urgency:</b>	Medium
<b>Change Proposal title:</b>	<b>Commissioning Tests and the Reserve Capacity Mechanism</b>
<b>Market Rule(s) affected:</b>	4.1.26, 4.10.1, 4.27.10, 4.27.11, 4.27.11A (new), 4.27.11B (new) , 4.27.11C (new), 6.5.1A, 6.5.1C.

### Introduction

This Pre Market Rule Change Discussion Paper can be posted, faxed or emailed to:

**Independent Market Operator**

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The discussion paper should 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:

- (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.

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## Details of the proposed Market Rule Change

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

This Rule Change Proposal aims to improve the clarity regarding the provisions for a new Facility transitioning from commissioning to an in-service state with regard to the Reserve Capacity Mechanism. This transition occurs when a Facility is fully capable of meeting its Reserve Capacity Obligations and hence is eligible to receive Reserve Capacity payments.

New Facilities that are undergoing initial Commissioning Tests are relieved from a number of market obligations including the need to pay Capacity Cost Refunds. It is intended that when a Market Participant nominates to be eligible to receive payments for Capacity Credits, then these benefits will cease. It is also intended that Reserve Capacity Obligations must start no later than 30 November in Year 3 of the relevant Reserve Capacity Cycle.

Under the current arrangements, the commissioning dates, and dates when the Market Participant is fully capable of meeting its Reserve Capacity Obligations, are first nominated when the Market Participant applies for Certified Reserve Capacity. The Market Participant can then nominate new dates in its quarterly progress reports that must be submitted to the IMO under the Market Rules. This Rule Change Proposal:

- Places an obligation on Market Participants to provide evidence that any necessary Commissioning Tests have been completed;
- Clarifies the approval process for revised dates submitted in progress reports; and
- Increases the frequency by which progress reports must be submitted.

Requiring the Market Participant to provide details and evidence that Commissioning Tests have been completed is necessary to increase certainty that a unit receiving Capacity Credits can provide capacity when required. This will also address a potential risk that a Facility has not been fully commissioned but may be receiving the benefit of Capacity Credits. This situation could present undue risk to system reliability and cost to Market Customers.

In addition, clarifying the approval process for changes to the relevant dates is required to provide certainty as to when a Market Participant will be eligible to receive Capacity Credits in respect of a new Facility.

Further, in order to keep track of the development of new Facilities, it is desirable to increase the reporting frequency in respect of Reserve Capacity progress reports. In the case where a Market Participant experiences difficulties in bringing new plant online, the IMO may be required to source capacity through the Supplementary Reserve Capacity process. Timely reporting is imperative to ensure that this process can be initiated as soon as practicable. Experience to date has shown that Market Participants developing new projects are often reporting to internal stakeholders on a monthly basis. Therefore, requiring monthly Reserve Capacity progress reports is not expected to impose any additional administrative burden on Market Participants.

Finally, currently the Market Rules interchangeably use the terms *commissioning*, *commissioning trials* and *Commissioning Tests*. The concept of Commissioning Tests was introduced in the Market Rules in October 2005, but the other two terms still remain within several clauses. Where applicable, this proposal seeks to replace the terms *commissioning* and *commissioning trials* with Commissioning Test, in order to avoid confusion regarding the terms used.

## 2) Explain the reason for the degree of urgency:

The proposed amended rules need to be in place before new plants begin commissioning in the second half of 2008. The Standard Rule Change Process will be appropriate to use for this change.

## 3) Provide any proposed specific changes to particular Rules (for clarity, please use the current wording of the Rules and place a ~~strike through~~ where words are deleted and underline words added)

### 4.1.26. Reserve Capacity Obligations apply:

- ...
  - (b) in the case of subsequent Reserve Capacity Cycles:
    - i. from the Trading Day commencing on 1 October of Year 3, for Facilities that were commissioned as at the scheduled time of the Reserve Capacity Auction for the Reserve Capacity Cycle as specified in clause 4.1.18(a) or for Facilities which have provided Capacity Credits in one or both of the two previous Reserve Capacity Cycles; and
    - ii. from the Trading Day commencing on the date specified in accordance with clause 4.10.1(c)(iii)(7), or as revised in accordance with clause 4.27.11A or 4.27.11C, for Facilities commissioned between 1 August of Year 3 and 30 November of Year 3.

### 4.10.1. The information to be submitted with an application for certification of Reserve Capacity must pertain to the Reserve Capacity Cycle to which the certification relates and must include:

- ...
  - (c) if the Facility, or part of the Facility, is yet to enter service:
    - ...
      - iii. key project dates occurring after the date the request is submitted to the IMO, including, as applicable, but not limited to:
        - 1. when all approvals will be finalised or, in the case of Interruptible Loads and Curtailable Loads all required contracts will be in place;
        - 2. when financing will be finalised;
        - 3. when site preparation will begin;

4. when construction will commence;
  5. when generating equipment or Dispatchable Load equipment will be installed or, in the case of Interruptible Loads and Curtailable Loads all required control equipment will be in place;
  6. when the Facility , or part of the Facility, will be ready for ~~commissioning trials~~ to undertake Commissioning Tests; and
  7. when the Facility , or part of the Facility, will have completed all Commissioning Tests and be capable of meeting Reserve Capacity Obligations in full;
- 4.27.10. Subject to clause 4.28.11C, Market Participants holding Capacity Credits for Facilities that are yet to commence operation must file a report on progress with the IMO at least once every three months between the date the Capacity Credit is confirmed under clause 4.20 and the date that Facility commences operation.
- 4.27.11. The report described in clause 4.27.10 must include the current revised nominations of each date to which clause 4.10.1(c)(iii) refers.
- 4.27.11A On receiving the report described in clause 4.27.10, the IMO must conduct an assessment and must decide whether to approve or not approve the current revised nominations for each date provided in accordance with clause 4.27.11. The IMO must not approve a revised nomination for a date which would have prevented the IMO from assigning Certified Reserve Capacity to a Facility.
- 4.27.11B If, in accordance with clause 4.27.11A, the IMO does not approve one or more of the revised dates provided in accordance with clause 4.27.11 the IMO must, within five business days, notify the Market Participant of its decision and provide reasons why the dates have not been approved.
- 4.27.11C In respect of a report submitted in accordance with clause 4.27.10 including the dates nominated in accordance with clause 4.27.11, the IMO may require the Market Participant to provide supporting evidence, submitted by a suitably authorised person, and the IMO may require the Market Participant to submit further reports in accordance with clause 4.27.10 or revise the dates nominated in accordance with 4.27.11.
- 6.5.1A. Market Generators with Registered Facilities that are not undergoing ~~commissioning~~ a Commissioning Test, except those with only Intermittent Generators, or Market Customers with Dispatchable Load must provide the IMO with a Resource Plan Submission, either via submitting Resource Plan Submissions or in accordance with clause 6.5.1B.
- 6.5.1C. Market Generators with only Intermittent Generators may provide the IMO with a Resource Plan Submission, unless undergoing ~~commissioning~~ a Commissioning Test, either via submitting Resource Plan Submissions or in accordance with clause 6.5.1B.

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

This proposal will help improve reliability and security of supply in regard to new facilities that are entering the Wholesale Electricity Market. This will be accomplished by improving clarity in the processes of the Reserve Capacity Mechanism and by allowing more appropriate and timely reporting of the progress of new Facilities. This is consistent with market objective (a) *to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system.*

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**5) Provide any identifiable costs and benefits of the change:**

No costs have been identified as part of this Rule Change Proposal.

It is expected that the proposed Rule Changes will support better progress reporting for new Facilities entering the Wholesale Electricity Market through increased clarity of the process, and improved accuracy and timeliness of the information provided to the IMO.

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