
Wholesale Electricity Market Pre Market Rule Change Discussion Paper

Submitted by

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Urgency:	High
Change Proposal title:	Eligible Services for Supplementary Reserve Capacity
Market Rule(s) affected:	4.24.3 and 4.24.15

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 the proposed rule change 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.

Details of the proposed Market Rule Change

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

This rule change proposal has been borne out of the Supplementary Reserve Capacity (SRC) Working Group's deliberations on what services should be eligible to partake in the SRC process.

Currently the Market Rules confine these eligible services to:

- (a) load reduction, that is measures to reduce a consumer's consumption of electricity supplied through the SWIS, but excluding reductions associated with the operation of Registered Facilities (including registered Loads); and
- (b) the generation of electricity by generation systems that are not Registered Facilities.

The Working Group unanimously agreed that the core objective of SRC is to ensure reliability while maintaining economic efficiency. With this in mind, the Working Group has decided to allow some Registered Facilities to participate in the SRC process. However, the Working Group decided to limit the participation of Registered Facilities to those that are unlikely to be in a position to take undue advantage of the SRC process.

Under this rule change proposal, the Registered Facilities which are permitted to enter the SRC process include those facilities with spare capacity (i.e. capacity that does not hold Capacity Credits) in the current Reserve Capacity cycle but which hold capacity credits for future cycles. This condition is necessary so as to prevent Registered Facilities with capacity credits in previous Reserve Capacity cycles from withholding them from the normal capacity credit processes so as to activate the SRC process and benefit from much higher prices.

This rule change proposal also clarifies that Market Customers with a Demand Side Programme that have failed to satisfy their Reserve Capacity Obligations in accordance with clause 4.8.3(d) cannot participate in the SRC process.

Given the fact that the use of SRC may place a considerable financial burden on the market and that it was intended to be very infrequent event, a regular review of the SRC process against the market objectives was suggested by the Working Group.

Clause 4.26.15 is proposed to be added stipulating that a review must follow each call for tenders of supplementary reserve capacity where that review must entail an assessment of the appropriateness of the provisions pertaining to SRC under clause 4.24 and a public consultation process seeking to garner feedback on the outcome of the review.

2) Explain the reason for the degree of urgency:

While the IMO may or may not need to run the Supplementary Reserve Capacity process in anticipation of the 2008/09 hot season, the proposed Market Rule change is required as a matter of urgency to ensure that the right resources are eligible to participate in the SRC process.

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)

4.24.3. The only eligible sources of supplementary capacity are the following services (“**Eligible Services**”):

- (a) load reduction, that is measures to reduce a consumer’s consumption of electricity supplied through the SWIS, but excluding reductions associated with the operation of Registered Facilities (including registered Loads) or reductions provided by a Market Customer with a Demand Side Programme that does not satisfy its Reserve Capacity Obligations for the current Reserve capacity Cycle in accordance with clause 4.8.3(d) at the time the IMO seeks to acquire supplementary capacity; and
- (b) the generation of electricity by generation systems that are not Registered Facilities;
- (c) the generation of electricity by generation systems, or load reductions provided by loads, that are Registered Facilities but only to extent that:
 - (i) the electricity is generated, or the load reduction is provided, by capacity for which the relevant Market Participant does not hold Capacity Credits in the current Reserve Capacity Cycle; and
 - (ii) the electricity is not generated, or the load reduction is not provided, by capacity which has provided Capacity Credits in the current Reserve Capacity Cycle or a previous Reserve Capacity Cycle; and
 - (iii) the electricity is generated or the load reduction is provided, by capacity for which the relevant Market Participant holds Capacity Credits in a subsequent Reserve Capacity Cycle.

4.24.15. Following each call for tenders for supplementary capacity or otherwise acquiring Eligible Services, the IMO must review the Supplementary Reserve Capacity provisions of this section 4.24 of the Market Rules with regard to the Wholesale Market Objectives and must undertake a public consultation process in respect of the outcome of the review.

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

The IMO submits that the proposal supports market objective (a) by ensuring that if SRC is called, the appropriate capacity will be available to participate in the process.

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

Costs

No costs associated with implementing this proposed rule change have been identified.

Benefits

The proposed rule change supports the Market Objectives as outlined in section 4 of this proposal.
