
Agenda item 5(a) ii

Wholesale Electricity Market Rule Change Proposal Form

Change Proposal No: RC_2009_08
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Change requested by

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Address:	Level 3, Governor Stirling Tower, 197 St George's Terrace
Date submitted:	21 April 2009
Urgency:	High
Change Proposal title:	Updates to Commissioning Provisions
Market Rule(s) affected:	Clauses 3.21A.3, 3.21A.7, 3.21A.7A, 3.21A.16 (new), 4.12.6(c), 4.26.1A(a), 7.9.4 and 10.6.1

Introduction

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

This Change Proposal can be posted, faxed or emailed to:

Independent Market Operator

Attn: Manager Market Administration and System Capacity
PO Box 7096
Cloisters Square, Perth, WA 6850

Fax: (08) 9254 4339

Email: marketadmin@imowa.com.au

The Independent Market Operator will assess the proposal and, within 5 Business Days of receiving this Rule Change Proposal form, will notify you whether the Rule Change Proposal will be further progressed.

In order for the proposal to be progressed, all fields below must be completed and the change proposal must 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.

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:

Background

A Commissioning Test is a test of the ability of a generating system to operate at different levels of output reliably. Clause 3.21A of the Wholesale Electricity Market Rules (Market Rules) and the Market Procedure for Commissioning and Testing outline the process by which Commissioning Tests are applied for, approved and undertaken.

A Commissioning Test will be required when a Market Generator wishes to undertake, or has been directed by the IMO to undertake, a program of equipment testing aimed at testing the ability of a generating system to operate at different levels in order to meet the registration requirements of Chapter 2 of the Market Rules.

A Market Participant seeking to conduct a Commissioning Test must request permission from System Management, submitting the information as required by clause 3.21A.4 to System Management for the approval of such Commissioning Tests. This includes the name and location of the facility to be tested, the date and commencement time during which testing will be conducted and the details of the tests to be conducted, including an indicative test plan.

According to clause 3.21A.3 a Commissioning Test may only be requested and System Management may only approve a Commissioning Test for:

- a new generating system expecting to be registered as a Scheduled Generator that wishes to have its output capability verified (prior to 30 November); or
- an existing Scheduled Generator that has undergone significant maintenance and is returning to service and wishes to confirm its output capability.

For new Facilities commissioning prior to 30 November the Market Rules:

- allow for the approval of Commissioning Tests by System Management;
- exempt Market Participants from having to provide a Resource Plan;
- ensure new facilities are not subject to Upward Deviation Administered Price (UDAP) and Downward Deviation Administered Price (DDAP);
- Relieve new Facilities from a number of the Reserve Capacity Obligations, including the need to pay Capacity Cost Refunds; and
- Allow a Market Participant to nominate when the Facility will be eligible to receive payments for Capacity Credits (and therefore subject to its Reserve Capacity Obligations). The Market Participant can nominate new dates in its quarterly progress reports that must be submitted to the IMO under the Market Rules.

However, as it stands, the Market Rules (clause 3.21A.7A) currently precludes System Management from approving a commissioning test for a new generator if that test is to occur after 30 November of the year in which the new Generators capacity obligations take effect.

This means that a new Facility commissioning after this date must operate and technically commission while trading in the energy market (unless it postpones entering the market for several months). In effect, this means that a Facility commissioning after 30 November does so without the benefit of relief from the full provisions of the energy market, including the requirement to submit Resource Plans and consequent exposure to penalty balancing prices and compliance issues.

Where a new generator has not completed commissioning by 30 November, and therefore is unable to conduct Commissioning Tests pursuant to clause 3.21A of the Market Rules, the current obligation to trade in the energy market may serve to prevent the new generator completing its commissioning requirements, and therefore may preclude additional capacity being made available.

Clause 7.9.4 of the Market Rules specifies that System Management must grant permission to synchronise unless a Scheduled Generator unless the synchronisation is not in accordance with the relevant Resource Plan or Dispatch Instruction. As it currently stands this clause has the potential to preclude new generators from being able to synchronise as they may have neither a relevant Resource Plan or Dispatch instruction.

Proposal

The objective of this Rule Change Proposal is to remove the inconsistency referred to above in relation to the treatment of Facilities in the energy market when commissioning.

The IMO proposes:

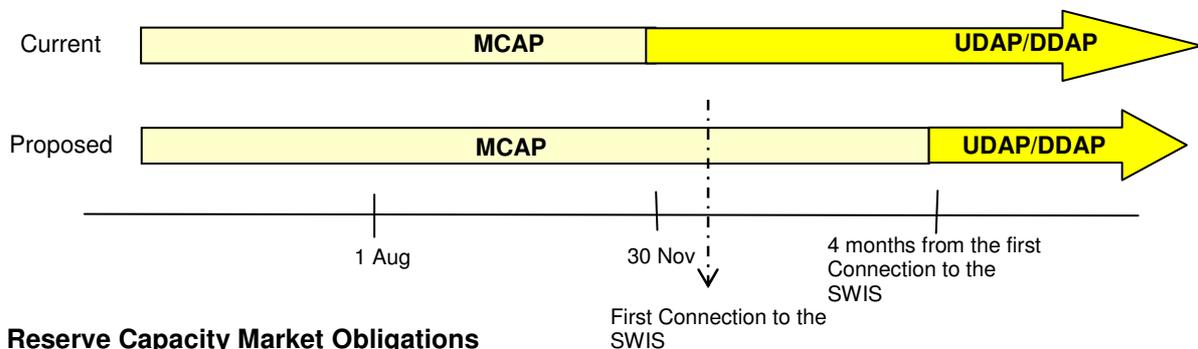
- A separation of the treatment of commissioning in the Reserve Capacity Market and the energy market; and

- The introduction of a concept of allowing for late commissioning in the Market Rules. In particular, new generators can conduct commissioning tests post 30 November without:
 - needing to operate in the energy market;
 - submitting Resource Plans;
 - being subject to UDAP and DDAP payments; and
- That the late commissioning period be restricted to a defined period of four months, commencing from the date and time of the first connection to the South West Interconnected System (SWIS) for testing purposes. System Management must not approve a commissioning date more than four (4) months after this initial connection date.

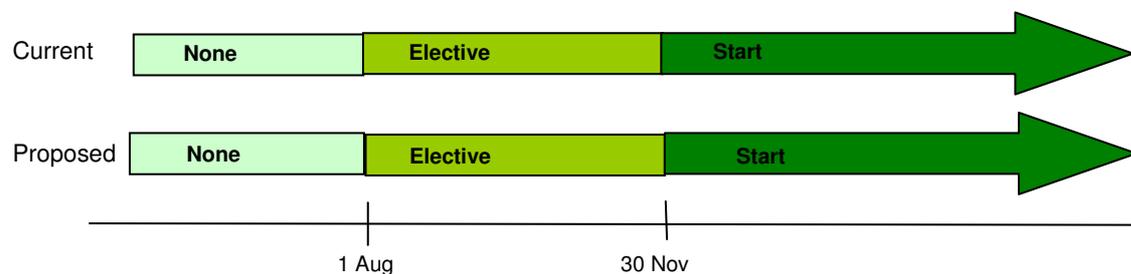
It should be noted that Facilities commissioning after 30 November will still be subject to any Capacity Cost Refunds arising from the late commissioning (as they are under the current rules).

The following diagram compares the proposal against the status quo:

Energy Market Payments



Reserve Capacity Market Obligations



This Rule Change Proposal will allow for a number of phases under which Market Participants will be exposed to commissioning; these are outlined in the table below:

	Before 1 August	1 August	From 30 November until either deemed operational or four months from the commencement of commissioning tests (whichever is earlier)
Energy Market			
Current	MCAP	MCAP	UDAP/DDAP
Proposed	MCAP	MCAP	MCAP
Reserve Capacity Market			
Current	No Obligations	Market Participant (MP) chooses when to accept obligations subject to IMO approval (and System Management (SM) consultation).	Capacity Credits (CC) and obligations start. MP exposed to Capacity Cost Refunds. Managed through ex-post forced outage declarations and energy produced.
Proposed	No Obligations	MP chooses when to accept obligations subject to IMO approval (and SM consultation).	CCs and obligations start. Exposure to full Capacity Cost Refunds. MP can choose when to start commissioning (subject to SM approval) but commissioning is limited to a 4 month period.

Additionally, the IMO proposes that:

- System Management be able to grant permission for new generators or facilities, who are carrying out Commissioning Tests, to synchronise; and
- The information supplied to System Management under clause 3.21A.4 regarding Commissioning Test plans is to be supplied to the IMO for publication (as SWIS restricted information). This is to allow greater visibility of Commissioning Test programming.

Overview of proposed rule changes

In order to amend the treatment of Facilities when commissioning and introduce the concept of allowing for late commissioning into the Market Rules a number of rule amendments are necessary. An overview of these changes is outlined below:

- The proposed amendment to clause 3.21A.3 is to extend the clause to allow for new facilities that are *already registered*. At present it only allows System Management to approve Commissioning for new generators *that are expecting to be registered* or registered facilities that have undergone maintenance;
- The proposed addition of clause 3.21A.7(d) to limit the length of the commissioning period to 4 months from the first connection to the SWIS for testing purposes;
- The proposed removal of clause 3.21A.7A will allow System Management to approve Commissioning Tests both before and after 30 November;
- The proposed removal of clause 3.21A.7(c) which cross references clause 3.21A.7A and removal of the 'or' in clause 3.21A.7(b) for the removal of this clause;

- The proposed amendment to clause 3.21A.16 for System Management to provide information about approved Commissioning Tests;
- The proposed amendment to clause 4.12.6 to limit the Commissioning Tests required under this specific clause to only apply to existing facilities which have undergone significant maintenance. This is because the new facility has no Reserve Capacity Obligation and hence can be granted a Commissioning Test without it impacting on its Reserve Capacity obligations;
- The proposed amendment to clause 4.26.1A makes the Forced Outage Shortfall 100 percent of the Capacity Credits assigned to Facilities which are classed as new generating systems under clause 3.21A.3;
- For completeness it should be noted that while no changes have been made to these particular clauses, clause 4.27.11B still allows the Facility to receive its Capacity Credits, and to attract Capacity Costs Refunds under 4.26.1A;
- The proposed amendment to clause 7.9.4 will allow System Management to grant permission to a new generator carrying out Commissioning Tests to synchronise. This is precluded under the current Market Rules as a new generator may not have either a Resource Plan or Dispatch instruction as required; and
- The proposed amendment to clause 10.6.1 will require the IMO to publish, as SWIS Restricted Information, any related data it receives from System Management about approved Commissioning Tests under clause 3.21A.16.

2. Explain the reason for the degree of urgency:

The IMO submits that this rule change be progressed by the Standard Rule Change 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)

3.21A.3. System Management may ~~only~~ approve a Commissioning Test only for new generating systems ~~that are expected to be registered as Scheduled Generators,~~ or for existing Scheduled Generators which have undergone significant maintenance.

3.21A.7. System Management must accept a request for a Commissioning Test unless:

- (a) inadequate information is provided in the request; or
- (b) the conduct of the test at the proposed time would pose a threat to Power System Security or Power System Reliability; or

- (c) ~~clause 3.21A.7A applies.~~ [Blank]
- (d) more than four months have elapsed since the relevant generating system was first connected to the SWIS for testing purposes, as specified in the information submitted to System Management under clause 3.21A.4.(b).

~~3.21A.7A. System Management may not accept a request for a Commissioning Test, for Facilities that are yet to commence operation, if the information provided in accordance with clause 3.21A.4(b) includes Trading Intervals after the commencement of 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 clause 4.27.11D.~~ [Blank]

3.21A.16. System Management must provide the IMO the information related to approved Commissioning Tests as specified under clause 3.21A.4.

4.12.6. Subject to clause 4.12.7, any initial Reserve Capacity Obligation Quantity set in accordance with clauses 4.12.4, 4.12.5, or 4.28B.4 is to be reduced once the Reserve Capacity Obligations take effect, as follows:

- (a) if the aggregate MW equivalent to the quantity of Capacity Credits (as modified from time to time under the Market Rules) for a Facility is less than the Certified Reserve Capacity for that Facility at any time (for example as a result of the application of clause 4.20.1, clause 4.25.4 or clause 4.25.6), then the IMO must reduce the Reserve Capacity Obligation Quantity to reflect the amount by which the aggregate Capacity Credits fall short of the Certified Reserve Capacity;
- (b) subject to clause 4.27.9, during Trading Intervals where there is a Consequential Outage or a Planned Outage for a Facility provided to the IMO by System Management in accordance with clause 7.3.4, the IMO must reduce the Reserve Capacity Obligation Quantity for that Facility, after taking into account any adjustments in accordance with paragraph (a), to reflect the amount of capacity unavailable due to that outage;
- (c) if the Facility Scheduled Generator, which for the purposes of clause 3.21A.3 has undergone significant maintenance, is subject to a Commissioning Test during a Trading Interval then the Reserve Capacity Obligation Quantity for that Facility must be zero during that Trading Interval.

4.26.1A. The IMO must calculate the Forced Outage refund for each Facility (**“Facility Forced Outage Refund”**) as the lesser of:

- (a) the sum over all Trading Intervals t in Trading Month m of the product of:
 - i the Off-Peak Trading Interval Rate or Peak Trading Interval Rate

determined in accordance with the Refund Table applicable to Trading Interval t ; and

ii the Forced Outage Shortfall in Trading Interval t ,

where the Forced Outage Shortfall for a Facility is equal to:

~~i~~ iii the Forced Outage in that Trading Interval measured in MW; or

~~ii~~ iv the number of Capacity Credits associated with an Intermittent Facility in which are deemed to not have been commissioned for the purposes of clause 4.26.1; ~~and~~ or

v the number of Capacity Credits associated with Facilities which are undergoing approved Commissioning Tests and for the purposes of clause 3.21A.3 are new generating systems; and

(b) the total value of the Capacity Credit payments associated with the relevant Facility paid or to be paid under these Market Rules to the relevant Market Participant for the 12 Trading Months commencing at the start of the Trading Day of the most recent 1 October, assuming the IMO acquires all of the Capacity Credits associated with that Facility and the cost of each Capacity Credit so acquired is determined in accordance with clause 4.28.2(b), (c) and (d) (as applicable), less all Facility Forced Outage Refunds applicable to the Facility in previous Trading Months falling in the same Capacity Year.

7.9.4. System Management must grant permission to synchronise unless:

(a) the synchronisation is not in accordance with the relevant Resource Plan or Dispatch Instruction or an instruction issued under clause 7.6A.3(a); or

(b) System Management considers that it would not be able to meet the criteria set out in clause 7.6.1 were synchronisation to occur; or

(c) the synchronisation is not in accordance with the relevant Commissioning Test plan approved by System Management pursuant to clause 3.21A.

10.6.1. The IMO must set the class of confidentiality status for the following information under clause 10.2.1, as SWIS Restricted Information and the IMO must make this information available from the Market Web Site:

(a) summary information on Disputes in progress that may impact other Rule Participants;

- (b) schedules of Planned Outages;
- (c) the current Dispatch Merit Order;
- (d) audit reports; ~~and~~
- (e) documentation of the functionality of :
 - i. any software used to run the Reserve Capacity Auction;
 - ii. the STEM Auction software; and
 - iii. the Settlement System software; and
- (f) information supplied under clause 3.21A.16 by System Management related to approved Commissioning Tests.

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

(b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;

The IMO submits that the proposed changes will better market objective (b) by facilitating the efficient entry of new competitors. In particular the proposed amendments will allow the energy market payments and the reserve capacity market obligations to be decoupled during commissioning of new generators or facilities. This will mean that the new generators will not be subject to UDAP and DDAP payments if commissioning post 30 November. These payments will not apply for a four month period after first connection to the SWIS and which will reduce the financial risk associated with entering the market for new participants. This will potentially result in a greater amount of investment in new projects.

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

The IMO has identified the following costs and benefits:

Costs

- Potential increased risk to summer readiness;
- Potential reduced incentive to come in on time (UDAP/DDAP);
- Potential greater complexity in the Market Rules;
- Regulatory risk;

- Short term fixed cost to IMO - administering rule changes and making required systems changes such as web site changes to publish Commissioning Test information; and
- Short term fixed cost to System Management of implementing changes.

Benefits

- Commissioning generators are not forced to submit Resource Plans and will be able to participate in the energy market when commissioning after 30 November
 - Commissioning generators will not be exposed to UDAP/DDAP during the four month commissioning period;
 - SM monitoring costs should be reduced. Promotes allocative efficiency of SM resources;
 - Reduces investment risks for new entrant generators (supports market objective b);
 - Greater efficiency for Market Generators when commissioning; and.
 - Visibility of Commissioning Test planning to all Market Participants.
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