

Independent Market Operator



Rule Change Notice

Title: Requirements for Registration as a Market Participant

Ref: RC_2007_04

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 Synergy regarding a change to clause 2.28.6 and the inclusion of a new clause 2.28.8A in 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

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Date submitted: 03/05/2007
Urgency: 2-medium
Change Proposal title: Requirements for Registration as a Market Participant

Details of the Proposal

Under the current Market Rules, small generators who have installed capacities greater than 10MW are required to register as a Market Generator. In many cases these small generators only export a limited amount of energy.

Synergy considers that, for those generators, the requirement to register as a Market Generator is significantly onerous, bringing with it a substantial degree of risk. These risks include the requirement to register and manage Standing Data; the need for adequate market based systems; and the need to meet prudential and settlement requirements. Synergy has submitted that the market knowledge required to operate in this environment, and to successfully mitigate market-based risks, effectively prohibits small generators from participating in the WEM.

Several small generators have been granted temporary exemption to register as a Market Participant, pursuant to clause 2.28.26 and 2.29.9 of the Market Rules. This rule change is expected to be completed prior to the expiry of these current exemptions.

The following rule changes are proposed by Synergy:

Amendment to clause 2.28.6 as follows (changes are underlined):

2.28.6. Subject to clauses 2.28.8A and 2.28.16, a person who owns, controls or operates a generation system which has a rated capacity that equals or exceeds 10 MW and is electrically connected to a transmission system or distribution system which forms part of the South West Interconnected System, or is electrically connected to that system, must register as a Rule Participant in the Market Generator class.

Insertion of a new clause, between the existing clauses 2.28.8 and 2.28.9.

2.28.8A. Without limiting the generality and the operation of clause 2.28.16, a person who owns, controls or operates a generation system which has a rated capacity that equals or exceeds 10 MW and is electrically connected to a transmission system or distribution system which forms part of the South West Interconnected System, or is electrically connected to that system, may, but is not required to, register as a Rule Participant in the Market Generator class where all of the following are satisfied:

- (a) positive MWh quantities measured by the interval meter associated with that generation system are not expected to exceed 5 MWh in a Trading Interval;
- (b) negative MWh quantities measured by the interval meter associated with that generation system are not expected to increase by more than 5 MWh in a Trading Interval in the event of an outage of that generating system; and
- (c) System Management informs the IMO that it has determined that it does not require information about the relevant generation system to maintain Power System Security and Power System Reliability; and
- (d) The meter measuring the generation system remains registered by an existing Market Customer.

The Proposal and the Market Objectives

Synergy considers that these suggested changes effectively addresses objective b) of the Wholesale Market Objectives:

..”to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors; (and)...(to)....avoid discrimination in that market against particular energy options and technologies..”

Synergy submits that the Market Rules, as they are currently written, place onerous requirements on small generators vis-à-vis the requirement to be a registered Market Generator. Where such generators only make limited exports to the system, the costs and risks associated with being a registered Market Generator effectively prohibit their participation in the Wholesale Electricity Market. Promulgation of this rule change proposal will provide that the market design does not discriminate against these participants.

Synergy submits that this proposal therefore enhances the ability of the market to deliver against its objectives by:

- Avoiding discrimination in the market against a particular energy option or technology; and
- Increasing market efficiency

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.

Section 2.28 is a Protected Provision, as defined in clause 2.8.13 of the Market Rules. When amending a protected provision, the IMO must submit the Rule Change Proposal, together with the Final Rule Change Report, to the Minister Energy for approval.

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
- Final Report to be approved by the Minister 12/10/2007

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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