

# Independent Market Operator



## **Rule Change Notice**

### **Title: Intermittent Generator Resource Plan Exemption**

Ref: RC\_2007\_10

Date: 17 September 2007

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## Independent Market Operator

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## 1. 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.

## 2. THE RULE CHANGE PROPOSAL

### 2.1. The Submission

Synergy submitted, on 13 September 2007, a Rule Change Proposal regarding changes to clauses 6.5.1A, 6.5.1C, 6.17.1, 6.17.5, 6.21.2, 7.10.1, 9.8.1 and the Glossary 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.

#### 2.1.1. Submission details

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Organisation:	Synergy
Address:	<b>228 Adelaide Tce Perth</b>
Date submitted:	13 September 2007
Urgency:	3- high
Change Proposal title:	Intermittent Generator Resource Plan Exemption

## **2.2. Details of the Proposal**

Synergy submits that the Market Rules generally recognise Intermittent Generators differently from Scheduled Generators by taking into account the fact that Intermittent Generators do not have the same control as Scheduled Generators over their output.

However, Synergy argues that certain rules do not recognise this important difference and impose obligations on Intermittent Generators that cannot always be met. Such obligations create uncertainty for Intermittent Generators and this potentially creates a barrier to entry. In Synergy's view, the removal of these obligations will promote the objectives of the market, with regard to avoiding discrimination against technologies that use renewable resources (MR 1.2.1(c)) as well as promoting efficient entry (MR 1.2.1(b)).

### *2.2.1. Removal of the Requirements to Submit and Comply with Resource Plans*

Synergy proposes that the requirement for Market Generators that only have Intermittent Generators to make Resource Plan Submissions be removed. Resource Plans must be submitted by 12:50 pm on the Scheduling Day. Synergy argues that in all likelihood, these plans will not reflect an Intermittent Generator's actual generation through the Trading Day.

Synergy submits that the Market Rules recognise this and require Intermittent Generators to provide, by 10 am daily, a forecast of energy output for the 44-hour period commencing at noon. This ensures that System Management has the latest information available. However, this process results in the Intermittent Generator's Resource Plan being effectively redundant. Synergy submits that System Management has confirmed that Resource Plans are generally not used to predict generation for Intermittent Generators.

In its proposal, Synergy recognises that Intermittent Generators may still elect to make a Resource Plan Submission. That is, the option to do so should be retained.

Further, Synergy proposes that the requirement for Intermittent Generators to comply with Resource Plans be also removed. It is impractical to require Intermittent Generators to comply with their Resource Plans when they do not have full control over their output.

Synergy claims that the requirement for Intermittent Generators to comply with Resource Plans, when it is impractical to do so, creates uncertainty for Intermittent Generators and hence their on-going financial viability. Synergy argues that removing this uncertainty reduces risk for both commissioned generators and those considering entry.

### *2.2.2. Removal of the Resource Plan Deviation Quantity*

In addition, Synergy proposes that the Resource Plan Deviation Quantity (RPDQ) be removed from the balancing settlement. Currently, the balancing settlement quantities include the determination of the RPDQ, which is priced at the Downward Deviation Administered Price (DDAP). According to Synergy's proposal, this is effectively a penalty against Market Generators. Synergy submits that currently it is not clear what type of behaviour is being discouraged through the application of this penalty.

Synergy notes that an RPDQ only arises where a shortfall exists (the difference between a Net Contract Position (NCP) and a Resource Plan (RP)) and a generator's output exceeds its resource plan.

Synergy submits an example, for an NCP of 100 and an RP of 80, and thus a shortfall of 20. If the actual output is less than the RP, an RPDQ is not defined. In Synergy's example, if the actual output were 70, then no RPDQ would be defined and no penalty would apply even though a shortfall was recorded as part of the Resource Plan Submission. It is only when the output exceeds the RP that the RPDQ is defined. In this example, if the output were 90 then the RPDQ would be 10. By increasing generation from 80 to 90, the generator is charged a penalty ie.  $10 * DDAP$ . Synergy argues that this is counterintuitive as a generator may be trying to make good the shortfall.

Synergy argues that in its current formulation the RPDQ creates inefficient outcomes by penalising generators in certain circumstances without any obvious benefits to market efficiency.

Synergy therefore advocates that the removal of the RPDQ would reduce uncertainty for all generators and promote market efficiency. This proposed amendment will also give effect to the original intent of the Market Rules – namely that Intermittent Generators should not be penalised in the balancing mechanism when deviating from their Resource Plans.

The Rule Changes proposed by Synergy are outlined in section 5 of this Notice.

### **2.3. *The Proposal and the Market Objectives***

Synergy submits that the Market Rules as they are currently written impose obligations on Intermittent Generators that are impractical to comply with. Non-compliance with the Rules exposes such generators to uncertainty. This uncertainty unnecessarily increases the risk profile of renewable generators and creates a barrier to entry. Synergy claims that amendment of the rules as outlined in Synergy's submission will promote economic efficiency, reduce barriers to entry and promote the use of renewable energy technologies.

Synergy submits that deleting the Resource Plan Deviation Quantity from the balancing settlement quantities will remove confusion about generating to Net Contract Positions, thereby improving market efficiencies.

### 3. 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 2.7 of the Market Rules.

The projected timelines for processing this proposal are:

- This Rule Change Notice published 17/09/2007
- First Submission period 17/09/2007 - 29/10/2007
- Draft Report published 26/11/2007
- Second submission period 26/11/2007 - 24/12/2007
- Final Report published 24/01/2008

### 4. CALL FOR SUBMISSIONS

The IMO is seeking 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 **Monday 29 October 2007**.

The IMO prefers to receive submissions by email to [marketadmin@imowa.com.au](mailto:marketadmin@imowa.com.au) , using the submission form available on the IMO website:

[http://www.imowa.com.au/10\\_5\\_1\\_a\\_v\\_open\\_rule\\_change\\_proposals.htm](http://www.imowa.com.au/10_5_1_a_v_open_rule_change_proposals.htm)

Submissions may also be sent to the IMO by fax or post, addressed to:

Independent Market Operator  
Attn: Dora Guzeleva, Manager Market Administration  
PO Box 7096  
Cloisters Square, Perth, WA 6850

Fax: (08) 9254 4399

## 5. PROPOSED AMENDING RULES

The following rule changes are proposed by Synergy:

6.5.1A. ~~Market Participants that are Market Generators with Registered Facilities that are not undergoing commissioning, except those with only Intermittent Generators, or that are Market Customers with Dispatchable Load must provide the IMO with a Resource Plan Submission, unless undergoing commissioning, 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, either via submitting Resource Plan Submissions or in accordance with clause 6.5.1B.

6.5.4. If the IMO has not accepted a Resource Plan Submission for a Trading Day by the closing time specified in 6.5.1(b) ~~delete 1 PM on the relevant Scheduling Day~~ from a Market Participant that is required to make a Resource Plan Submission or a Market Participant covered by clause 6.5.1C, then it must prepare a default Resource Plan for that Market Participant which must include, for each Trading Interval on the Trading Day:

- (a) all the Market Participant's Scheduled Generators and Non-Scheduled Generators having a scheduled output of zero;
- (b) all Dispatchable Loads having a scheduled consumption of zero; and
- (c) the level of the supply shortfall required pursuant to clause 6.11.1(e) equal to the total Net Contract Position.

6.17.1. The IMO must determine for each Market Participant and each Trading Interval of each Trading Day:

- (a) the Authorised Deviation Quantity;
- (b) the Upward Unauthorised Deviation Quantity;
- (c) the Downward Unauthorised Deviation Quantity; and
- (d) [Blank]~~the Resource Plan Deviation Quantity; and~~
- (e) the Dispatch Instruction Payment,

in accordance with this clause 6.17.

6.17.5. ~~[Blank] The Resource Plan Deviation Quantity, RPDQ(p,d,t), for Market Participant p and Trading Interval t of Trading Day d equals:~~

- ~~(a) if Market Participant p is the Electricity Generation Corporation, zero; and~~
- ~~(b) otherwise, the lesser of zero and:~~

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- ~~i. the Net Contract Position of Market Participant p for Trading Interval t, less the shortfall quantity specified in clause 6.11.1(e) less:~~
- ~~ii. the lesser of:~~
  - ~~1. the Net Contract Position of Market Participant p for Trading Interval t;~~
  - ~~2. the net sum of all the Metered Schedules for Trading Interval t for the Registered Facilities and Non-Dispatchable Loads registered by Market Participant p; and~~
  - ~~3. the net sum of all the Dispatch Schedules for Trading Interval t for the Registered Facilities and Non-Dispatchable Loads registered by Market Participant p.~~

6.21.2. The IMO must provide the following information to the Settlement System for each Trading Interval in a Trading Day:

- (a) MCAP, UDAP and DDAP; and
- (b) for each Market Participant:
  - i. the Authorised Deviation Quantity;
  - ii. the Upward Unauthorised Deviation Quantity;
  - iii. the Downward Unauthorised Deviation Quantity;
  - iv. [Blank] ~~the Resource Plan Deviation Quantity;~~
  - v. the Dispatch Instruction Payment; and
  - vi. any Commitment Compensation due to the Market Participant.

7.10.1. Subject to clause 7.10.2, a Market Participant other than the Electricity Generation Corporation must comply with:

- (a) subject to paragraph (b), its Resource Plan except where it relates to Intermittent Generators;
- (b) if a Dispatch Instruction has been issued for a Registered Facility for a Trading Interval, the most recently issued Dispatch Instruction applicable to the Registered Facility for the Trading Interval; and
- (c) a direction given to the Market Participant under clauses 7.6 or 7.10.7(a).

9.8.1. The balancing settlement amount for Market Participant p for Trading Interval t of Trading Day d is:

$$\text{BSA}(p,d,t) = \text{MCAP}(d,t) \times \text{ADQ}(p,d,t) + \text{UDAP}(d,t) \times \text{UUDQ}(p,d,t) + \text{DDAP}(d,t) \times (\text{DUDQ}(p,d,t) - \text{RPDQ}(p,d,t)) + \text{DIP}(p,d,t)$$

Where

ADQ(p,d,t), is the Authorised Deviation Quantity for Market Participant p for Trading Interval t of Trading Day d calculated in accordance with clause 6.17.2;

UUDQ(p,d,t) is the Upward Unauthorised Deviation Quantity for Market Participant p for Trading Interval t of Trading Day d calculated in accordance with clause 6.17.3;

DUDQ(p,d,t) is the Downward Unauthorised Deviation Quantity, for Market Participant p for Trading Interval t of Trading Day d calculated in accordance with clause 6.17.4;

~~RPDQ(p,d,t) is the Resource Plan Deviation Quantity for Market Participant p for Trading Interval t of Trading Day d calculated in accordance with clause 6.17.5;~~

MCAP(d,t) is the Marginal Cost Administered Price for Trading Interval t of Trading Day d calculated in accordance with clause 6.14.2;

UDAP(d,t) is the Upward Deviation Administered Price for Trading Interval t of Trading Day d calculated in accordance with clause 6.14.5;

DDAP(d,t) is the Downward Deviation Administered Price for Trading Interval t of Trading Day d calculated in accordance with clause 6.14.6;

DIP(d,t) is the Dispatch Instruction Payment for Market Participant p for Trading Interval t of Trading Day d calculated in accordance with clause 6.17.6.

## Glossary

~~**Resource Plan Deviation Quantity:** The amount calculated in accordance with clause 6.17.5.~~