

Independent Market Operator



Rule Change Notice

Title: Network Control Service Procurement Requirements

Ref: RC_2007_22

Date: 22 October 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*

Western Power submitted, on 15 October 2007, a Rule Change Proposal regarding amendments to clauses 5.2.1 and 5.2.2 of 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*

Name: Peter Mattner
Phone: 08-9326 4556
Email: peter.mattner@westernpower.com.au
Organisation: Western Power
Date submitted: 15 October 2007
Urgency: High – Fast Track

2.2 Details of the Proposal

Western Power submits that currently the Market Rules require all Network Control Service Contracts to have a minimum period of ten years. Western Power's view is that while this minimum period appears to be appropriate for contracts for medium- to large-scale generation, it may not always be appropriate for smaller-scale solutions.

The optimum solution for a network constraint, which minimises the overall cost, may involve a Network Control Service Contract for a relatively small amount of generation for a relatively short period followed by a network augmentation in the medium term. Western Power, therefore, proposes to allow the Network Operator to determine the minimum period over which the services would be required.

Western Power submits that the steady growth in electricity demand in and around the town of Ravensthorpe means that capacity in the existing network will be fully utilized within 1 to 2 years. The optimum development appears to be establishing relatively small-scale local generation immediately, followed by a major network augmentation around 2012 (depending on actual load growth).

In order to establish a contract for a Network Control Service and allow sufficient time for the construction of either new generation or network enhancements, tenders must be issued without delay.

Therefore, Western Power has requested that this Rule Change Proposal be processed using the Fast Track Rule Change Process, described in section 2.6 of the Market Rules.

The amendments to the Market Rules that are proposed by Western power are set out in section 5 of this Notice.

2.3 The Proposal and the Market Objectives

Western Power submits that the proposed Rule Change will better address the following Market Objectives:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system; and
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system;

for the following reasons:

The change is designed to facilitate the maximum overall net cost/benefit in the case of Network Control Service Contracts by allowing the flexibility to optimize the term of the services and timing of the new network investment.

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 IMO has decided to process this Rule Change Proposal using the Fast Track Process, described in section 2.6 of the Wholesale Electricity Market Rules, on the basis that it satisfies the criteria in section 2.5.9(c) of the Rules.

Section 2.5.9 states:

The IMO may subject a Rule Change Proposal to the Fast Track Rule Change Process if, in its opinion, the Rule Change Proposal:

- (a) is of a minor or procedural nature; or*
- (b) is required to correct a manifest error; or*
- (c) is urgently required and is essential for the safe, effective and reliable operation of the market or the SWIS.*

The IMO considers that the Fast Track Process is required if a contract for Network Supply Service is to be put in place in the first half of 2008, as required by Western Power, and that failure to do so may compromise the reliability of the SWIS.

The projected timelines for processing this proposal are:

- This Rule Change Notice published 22/10/2007
- Consultation period 23/10/2007 - 12/11/2007
- Final Report published 19/11/2007

4. CONSULTATION

Any Rule Participant wishing to be consulted regarding this rule change is invited to notify the IMO within 5 Business Days of this notice being published.

The IMO prefers to receive notifications for consultation by email to marketadmin@imowa.com.au.

Notifications 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

Western Power proposed the following changes to the Market Rules (~~deleted wording,~~ added wording):

- 5.2.1. Where required by the Access Code to submit a major augmentation, as defined in the Access Code, to the tender process set out in the Market Rules, a Network Operator must notify the IMO of the opportunity for network support generation or Demand Side Management to compete with a transmission or distribution upgrade. The notification must include:
- (a) a specification of the services that would be required from the facility, including:
 - i. the maximum active and reactive power quantities required, specified in MW and MVA_r;
 - ii. the estimated number of hours per year that the services would be required; and
 - iii. the required period of notice to call upon the services;
 - (b) the location at which the facility would need to connect to the relevant network;
 - (c) the Network Operator's estimate of the costs involved in connecting a generation facility that could provide the services specified in (a) from the location specified in (b);
 - (d) the date time by which the facility is required to be in service; ~~and~~
 - (e) the Network Operator's estimate of the cost of an augmentation to the Network that would provide the services- ; and
 - (f) the minimum period over which the services would be required, from the date specified in (d).

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- 5.2.2. The minimum period over which the Network Control Service is required is the period specified under clause 5.2.1(f). ~~ten years from the date specified clause 5.2.1(d)~~. The IMO may extend the length of the contracted period.