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## Wholesale Electricity Market Rule Change Proposal

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**Rule Change ID:** RC\_2008\_06

**Date Received:** 15 February 2008

### Submitted by

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<b>Date submitted:</b>	15 February 2008
<b>Urgency:</b>	Medium
<b>Change Proposal title:</b>	<b>Reduction of Capacity Credits</b>
<b>Market Rule(s) affected:</b>	4.25.4A, 4.25.4B, 4.25.4C (all new)

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### Introduction

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

**Independent Market Operator**

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The proposal should 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.

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## Details of the proposed Market Rule Change

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

Section 4.25 of the Market Rules allows the IMO to reduce the Capacity Credits for a Facility as a result of subjecting the Facility to a Reserve Capacity test. However, the Market Rules do not allow the IMO to reduce the Capacity Credits without a test and do not allow for the IMO to test a Facility while it is undergoing a forced outage. Participants are required to submit a forced outage for the amount of capacity they are not able to deliver. This is required for system security reasons.

Section 4.25 of the Market Rules provides that Facilities are tested and then retested in the case where they fail to meet their Reserve Capacity Obligation Quantity (RCOQ). In the instance where a Facility fails to meet its RCOQ in both tests, the Capacity Credits are reduced. However, section 4.25 of the Rules also prohibits the IMO from subjecting a Facility to a Reserve Capacity test if it is undergoing a forced outage. That is, a Facility logging a forced outage can not be tested in order to have its number of Capacity Credits reduced in accordance with clause 4.25.4 of the Market Rules.

This proposal aims to amend the Market Rules to allow a Participant to request a reduction of the Capacity Credits assigned to one or more of its Facilities by providing a request in writing to the IMO. This will enable Facilities experiencing a forced outage, and thus not being able to undergo a capacity test, to have their Capacity Credits reduced. The intent of the Rules, however, is to provide strong incentives to new facilities to endeavour to commission on time to fully meet their reserve capacity Obligations. It is therefore proposed to limit the ability to voluntarily reduce Capacity Credits to facilities that have not commissioned for the purposes of the relevant Capacity Year.

It is also important to avoid tactical use of the possibility to have Capacity Credits reduced during parts of the year and then later increased. Therefore a Participant, having had its Capacity Credits reduced for a Facility under the proposed new clauses, will not be able to request to have its Capacity Credits increased in the same Reserve Capacity Cycle by undergoing a test under clause 4.25.5. Once reduced, the Capacity Credit will remain at this level throughout the Reserve Capacity Cycle, or longer if so requested in the application.

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**2) Explain the reason for the degree of urgency:**

TransAlta Energy Australia submits the above rule change under the standard process.

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**3) Provide any proposed specific changes to particular Rules** (for clarity, please use the current wording of the Rules and place a ~~strikethrough~~ where words are deleted and underline words added)

4.25.4A A Market Participant may apply to the IMO for a reduction in the number of Capacity Credits the Market Participant holds for a Facility.

4.25.4B In order for an application under clause 4.25.4A to be assessed by the IMO, it must:

- (a) be in writing;
- (b) relate to a Facility for which the IMO has notified the Market Participant, in accordance with clause 4.13.10, that the need to maintain the Reserve Capacity Security for that Facility has ceased;
- (c) detail the reasons for the reduction in the number of Capacity Credits; and
- (d) indicate whether the application relates only to the current Reserve Capacity Year or includes subsequent Capacity Years.

4.25.4C Upon receiving an application under clause 4.25.4A, the IMO, at its sole discretion, must:

- (a) assess the application and any supporting documentation;
- (b) within 10 Business Days of receiving the application inform the Market Participant of its decision whether to reduce the Capacity Credits and the reasons for its decision; and
- (c) if applicable, reduce the amount of Capacity Credits held by the Market Participant in respect of the Facility to which the application relates.

4.25.4D A Market Participant may not apply to the IMO for an increase in the number of Capacity Credits for a Facility during a Capacity Year if the Facility has had its Capacity Credits reduced in accordance with clause 4.25.4C for any part of that Capacity Year.

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

This proposal will allow the Market Rules to better address market objective (a):

- (a) *to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;*

Allowing Participants to apply for a reduction in their Capacity Credits to reflect the actual capabilities of their Facilities will enhance the certainty regarding the amount of reserve capacity available in the SWIS. This will enable the IMO to address any reliability issues in a timely manner and thus promote the operation of Market Objective (a).

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

No additional costs have been identified in regards to this change.

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