

Independent Market Operator



Rule Change Notice

Title: Commissioning Tests and the Reserve Capacity Mechanism

Ref: RC_2008_17

Standard Rule Change Process

Date: 11 April 2008

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1. INTRODUCTION

Market Rule 2.5.1 of the Wholesale Electricity Market Rules (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 proposal form, will notify the proponent whether the 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 market objectives 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 Rule Change Process or a Fast Track Rule Change 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

The IMO submitted, on 11 April 2008, a Rule Change Proposal regarding changes to clauses 3.21A.7, 4.1.26, 4.10.1, 4.27.10, 4.27.11, 4.27.12, 6.5.1A and 6.5.1C, and the addition of new clauses 3.21A.7A, 4.27.10A and 4.27.11A-D to the Wholesale Electricity Market Rules (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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Date submitted:	10/04/2008
Urgency:	Medium
Change Proposal title:	Commissioning Tests and the Reserve Capacity Mechanism

2.2. Details of the Proposal

The IMO submits that the Rule Change Proposal aims to improve the clarity regarding the provisions for a new Facility transitioning from commissioning to an in-service state with regard to the Reserve Capacity Mechanism. This transition occurs when a Facility is fully capable of meeting its Reserve Capacity Obligations and hence is eligible to receive Reserve Capacity payments.

New Facilities that are undergoing initial Commissioning Tests are relieved from a number of market obligations including the need to pay Capacity Cost Refunds. It is intended that when a Market Participant nominates to be eligible to receive payments for Capacity Credits, then these benefits will cease. It is also intended that Reserve Capacity Obligations must start no later than 30 November in Year 3 of the relevant Reserve Capacity Cycle.

Under the current arrangements, the commissioning dates, and the dates when the Market Participant is fully capable of meeting its Reserve Capacity Obligations, are first nominated when the Market Participant applies for Certified Reserve Capacity. The Market Participant can then nominate new dates in its quarterly progress reports that must be submitted to the IMO under the Market Rules. This Rule Change Proposal:

- Places an obligation on Market Participants to provide evidence that any necessary Commissioning Tests have been completed;
- Clarifies the approval process for dates nominated in progress reports; and
- Increases the frequency by which progress reports must be submitted.

Requiring the Market Participant to provide details and evidence that Commissioning Tests can be completed by a nominated date is necessary to increase certainty that a unit receiving Capacity Credits can fully meet its Reserve Capacity Obligations to the Market. This will address a potential risk that a Facility has not been fully commissioned but may be receiving the benefit of Capacity Credits, which could present undue risk to system reliability and cost to Market Customers.

In addition, clarifying the approval process for changes to the relevant dates is required to provide certainty as to when a Market Participant will be eligible to receive Capacity Credits in respect of a new Facility.

Further, in order to keep track of the development of new Facilities, it is desirable to increase the reporting frequency in respect of Reserve Capacity progress reports. In the case where a Market Participant experiences difficulties in bringing new plant online, the IMO may be required to source capacity through the Supplementary Reserve Capacity process. Timely reporting is imperative to ensure that this process can be initiated as soon as practicable.

Finally, the IMO submits that currently the Market Rules interchangeably use the terms *commissioning*, *commissioning trials* and *Commissioning Tests*. The concept of Commissioning Tests was introduced in the Market Rules in October 2005, but the other two terms still remain within several clauses. Where applicable, this proposal seeks to replace the terms *commissioning* and *commissioning trials* with Commissioning Test, in order to avoid confusion regarding the terms used.

A draft proposal by the IMO to amend the rules to improve the clarity regarding the provisions for a new Facility transitioning from commissioning to an in-service state with regard to the Reserve Capacity Mechanism was considered by the Market Advisory Committee (MAC) at its March 2008 meeting.

MAC noted that the proposed changes must be aligned with the processes in Chapter 3, covering System Management's Commissioning Tests, in order to ensure that the treatment of Commissioning Tests is consistent throughout the Market Rules. The IMO, in consultation with System Management, has developed additional amendments to clause 3.21A to achieve the necessary consistency.

MAC also discussed the need of providing more frequent reports to the IMO than under the current rules. The IMO has amended its original proposal to require monthly reports only during the year in which the relevant facilities are commissioned. This should not be an onerous requirement given that, as noted by MAC, such reports are normally produced for internal purposes by the relevant companies.

In addition, MAC requested more information regarding the supporting evidence that would be required by the IMO to assess whether a facility is able to complete its Commissioning Tests by a nominated date. It was proposed that the IMO could include this information in a Market Procedure. To satisfy MAC's request, the IMO proposes to include a requirement for a Market Procedure, which will outline the documents and other items that may be required by the IMO as supporting evidence in its assessment of nominated project dates. The detail of the Market Procedure will be developed, in consultation with Rule Participants, following the implementation of the proposed Market Rule Changes.

The IMO has provided an indicative list of supporting evidence that may be required by the IMO in its assessment, and may be included in the Market Procedure together with any additional items resulting from the consultations with Market Participants:

- Network access agreements
- Local government approvals
- Evidence of execution of fuel supply and transport contracts
- Evidence of Financial Approvals
- Relevant Construction and Operational Licences
- Independent construction schedules for the plant, network and fuel supply facilities
- Repair and/or rework schedules
- Photographs of construction works
- Evidence of Environmental Test completion
- Evidence of network connection tests completion
- Full load testing results
- Practical completion certificates
- Quality assurance certificates

2.3. *The Proposal and the Wholesale Market Objectives*

The IMO submits that the proposal supports market objective (a) by improving reliability and security of supply in regard to new facilities that are entering the Wholesale Electricity Market. This will be accomplished by improving clarity in the processes of the Reserve Capacity Mechanism, and by allowing more appropriate and timely reporting of the progress of new Facilities.

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 Wholesale Market Objectives.

The IMO has decided to process this Rule Change Proposal using 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 11/04/2008
- First Submission period 11/04/2008 - 23/05//2008
- Draft Report published 23/06/2008
- Second submission period 24/06/2008 - 21/07/2008
- Final Report published 18/08/2008

4. CALL FOR SUBMISSIONS

The IMO is seeking submissions regarding this proposal. The submission period is six weeks from the publication date of this notice. Submissions must be delivered to the IMO by close of business on **Friday 23 May 2008**.

The IMO prefers to receive submissions by email to **marketadmin@imowa.com.au** using the submission form available on the IMO website:
http://www.imowa.com.au/10_5_1_MarketRulesChangeSummary.html

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

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

Fax: (08) 9254 4399

5. PROPOSED AMENDING RULES

The IMO proposes the following new clauses to the Market Rules (~~deleted words~~, added words):

- 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.

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.

- 4.1.26. Reserve Capacity Obligations apply:
...
(b) in the case of subsequent Reserve Capacity Cycles:
- i. from the Trading Day commencing on 1 October of Year 3, for Facilities that were commissioned as at the scheduled time of the Reserve Capacity Auction for the Reserve Capacity Cycle as specified in clause 4.1.18(a) or for Facilities which have provided Capacity Credits in one or both of the two previous Reserve Capacity Cycles; and
 - ii. from 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, for Facilities commissioned between 1 August of Year 3 and 30 November of Year 3.
- 4.10.1. The information to be submitted with an application for certification of Reserve Capacity must pertain to the Reserve Capacity Cycle to which the certification relates and must include:

...

(c) if the Facility, or part of the Facility, is yet to enter service:

...

- iii. key project dates occurring after the date the request is submitted to the IMO, including, as applicable, but not limited to:
1. when all approvals will be finalised or, in the case of Interruptible Loads and Curtailable Loads all required contracts will be in place;
 2. when financing will be finalised;
 3. when site preparation will begin;
 4. when construction will commence;
 5. when generating equipment or Dispatchable Load equipment will be installed or, in the case of Interruptible Loads and Curtailable Loads all required control equipment will be in place;
 6. when the Facility, or part of the Facility, will be ready for ~~commissioning trials~~ to undertake Commissioning Tests; and
 7. when the Facility, or part of the Facility, will have completed all Commissioning Tests and be capable of meeting Reserve Capacity Obligations in full;

4.27.10. ~~Subject to clauses 4.28.11C and 4.27.10A~~, Market Participants holding Capacity Credits for Facilities that are yet to commence operation must file a report on progress with the IMO at least once every three months ~~between from~~ from the date the Capacity Credit is confirmed under clause 4.20 and the date that Facility commences operation.

4.27.10A. Market Participants holding Capacity Credits for Facilities that are yet to commence operation must file a report on progress with the IMO at least once every month between the commencement of the calendar year in which the date referred to in clause 4.10.1(c)(iii)(7) falls and the date IMO has notified the Market Participant, in accordance with clause 4.13.10, that the need to maintain the Reserve Capacity Security for the Facility has ceased.

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- 4.27.11. The report described in clause 4.27.10 must include the current revised nominations of each date to which clause 4.10.1(c)(iii) refers.
- 4.27.11A On receiving the report described in clause 4.27.10, the IMO must conduct an assessment and approve or not approve the current nominations for each date provided in accordance with clause 4.27.11. The IMO must not approve a nomination for a date which would have prevented the IMO from assigning Certified Reserve Capacity to a Facility.
- 4.27.11B From the commencement of the calendar year in which the date referred to in clause 4.10.1(c)(iii)(7) falls, the IMO must consult with System Management when conducting its assessment in accordance with clause 4.27.11A of a nomination for a date to which clause 4.10.1(c)(iii)(7) refers. The IMO must not approve that nomination if, in System Management's opinion, the Facility, or part of the Facility, is unlikely to have completed all Commissioning Tests by the nominated date.
- 4.27.11C If, in accordance with clause 4.27.11A, the IMO does not approve one or more of the nominated dates provided in accordance with clause 4.27.11 the IMO must, within five business days, notify the Market Participant of its decision and provide reasons why the dates have not been approved.
- 4.27.11D In respect of a report submitted in accordance with clause 4.27.10 including the dates nominated in accordance with clause 4.27.11, the IMO may require the Market Participant to provide supporting evidence, submitted by a suitably authorised person, and the IMO may require the Market Participant to submit further reports in accordance with clause 4.27.10 or revise the dates nominated in accordance with 4.27.11.
- 4.27.12. The IMO must document the procedure to be followed in performing Reserve Capacity monitoring in the Reserve Capacity Procedure, and the IMO, System Management, and Market Participants must follow that documented Market Procedure in the performance of Reserve Capacity monitoring. Amongst other things, the Market Procedure must list the documents and other items that may be required by the IMO as supporting evidence in accordance with clause 4.27.11D.
- 6.5.1A. Market Generators with Registered Facilities that are not undergoing ~~commissioning~~ a Commissioning Test, except those with only Intermittent Generators, or Market Customers with Dispatchable Load must provide the

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IMO with a Resource Plan Submission, 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~~ a Commissioning Test, either via submitting Resource Plan Submissions or in accordance with clause 6.5.1B.