



**Independent Market Operator**

**Final Market Rule Change  
Report**

**Title: Change to Curtailable  
Load de-registration  
timeframe**

**Ref: RC\_2008\_29**

**Date: 16 January 2009**

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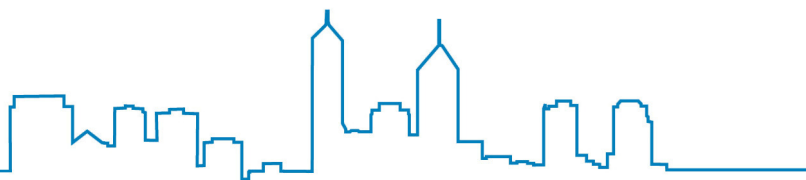
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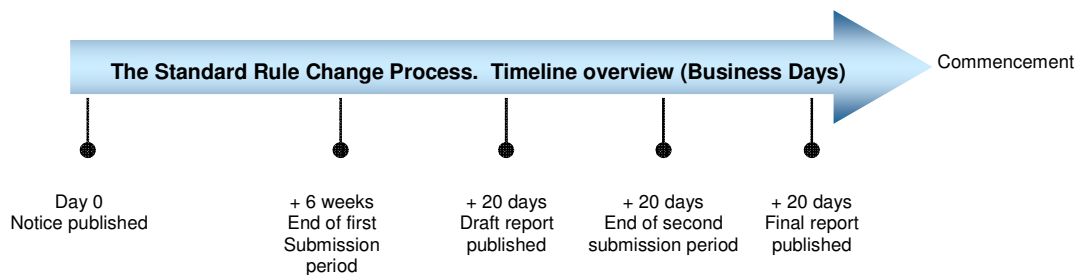


## 1. INTRODUCTION

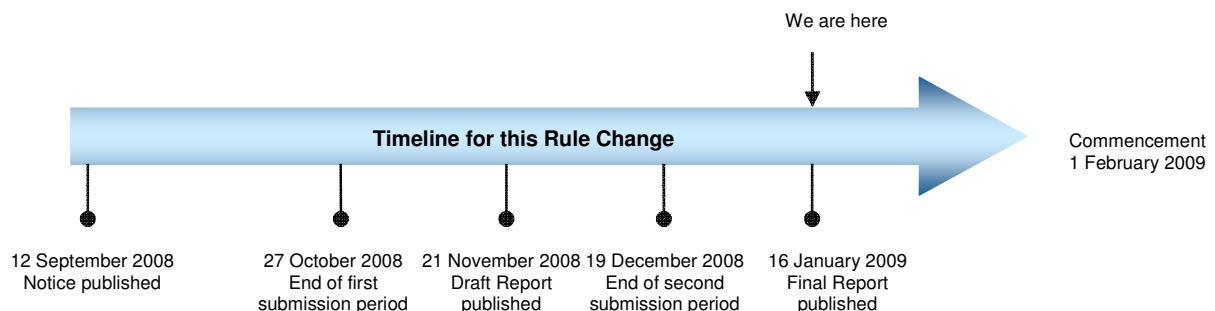
On 11 September 2008, the Independent Market Operator (IMO) submitted a Rule Change Proposal regarding a change to clause 2.33.4(d) of the Wholesale Electricity Market Rules (Market Rules).

This Proposal was processed using the Standard Rule Change Process, described in section 2.7 of the Market Rules.

The standard process adheres to the following timelines:



The key dates in processing this Rule Change Proposal are:



Based on the IMO's assessment of the Rule Change Proposal against the Market Objectives, the practicality and cost of implementing the proposal, views of the MAC and the submissions received, the IMO's final decision is to implement the Rule Change Proposal in the form outlined in section 8 of this Report.

This Final Rule Change Report on the Rule Change Proposal has been prepared by the IMO in accordance with clause 2.7.8 of the Market Rules.

The amendments to the Market Rules made as a result of this Rule Change Proposal will commence at 08.00am on 1 February 2009.

## 2. THE RULE CHANGE PROPOSAL

### 2.1 Submission Details

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<b>Date submitted:</b>	11 September 2008
<b>Urgency:</b>	High
<b>Change Proposal title:</b>	Change to Curtailable Load de-registration timeframe

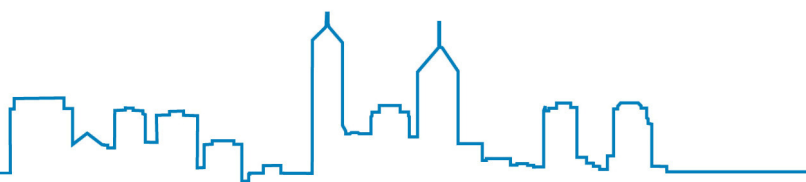
### 2.2 Details of the Proposal

The IMO noted that currently the Market Rules permit a facility to be de-registered either six months after the date of application if the facility is to cease operation or on the date of the application in the event that the facility has been rendered permanently inoperable.

However, the IMO considered that the six month timeframe that must elapse for de-registration to take effect is not in the best interests of Market Customers with Demand Side Management (DSM) Programmes which are comprised of Curtailable Loads. Consequently, the IMO proposed changes to the Market Rules to allow a Facility that is a Curtailable Load, which is associated with a DSM Programme, to be de-registered not earlier than *one month* after the date of application.

The IMO noted that under clause 4.8.3(b), Curtailable Loads in a DSM programme contribute towards satisfying the relevant Reserve Capacity Obligations of the DSM programme. These Curtailable Loads can 'churn' which would involve one Market Customer losing their load to another Market Customer while still retaining the Reserve Capacity Obligations of the load. If this occurs, the Market Customer that has lost their load to 'load churn' would be unable to meet the Reserve Capacity Obligations of that load. The proposed amendments to clause 2.33.4(d) will enable the de-registration of the churned load within one month of application and bring on other loads to meet the outstanding Reserve Capacity Obligations.

The IMO posited that the proposed change would protect Market Customers from having to retain the obligations of the load for six months without being able to satisfy those obligations. Additionally, the proposed amendments would both facilitate participation in DSM through the removal of the existing risk to retailers and ensure that retailers with DSM programmes can effectively fulfil their Reserve Capacity Obligations by drawing on other available loads in place of churned curtailable loads



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

The IMO's submission regarding how the amendments will allow for the Market Rules to better address the Wholesale Market Objectives can be found in section 6.1. of this report.

### **2.4 The Amending Rules Proposed by the IMO**

The amendments to the Market Rules proposed by the IMO are outlined in section 8 of this report.

### **2.5 The IMO's Initial Assessment of the Proposal**

The IMO decided to proceed with the proposal on the basis of its preliminary assessment, which indicated that the proposal was consistent with the Wholesale Market Objectives. This preliminary assessment was published in a Rule Change Notice on 12 September 2008.

## **3. FIRST SUBMISSION PERIOD**

The first submission period for this Rule Change Proposal was between 15 September 2008 and 27 October 2008.

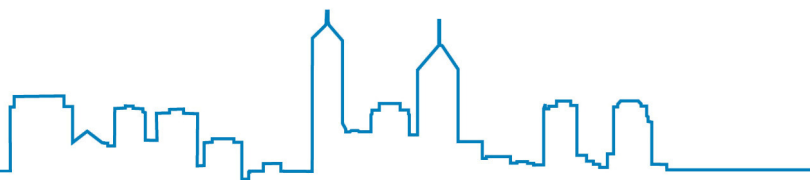
### **3.1 Market Advisory Committee**

The Market Advisory Committee (MAC) was first advised of the proposed rule change at its meeting on 10 September 2008, before it was formally submitted by the IMO. At the meeting, MAC was in general support of the proposal and of the IMO submitting it as a formal Rule Change Proposal.

MAC members were also invited to discuss the proposal at the MAC meeting on 8 October 2008, after the proposal had been published on the IMO web site. All members of MAC expressed their support for the Rule Change.

### **3.2 Submissions Received**

During the first public submission period the IMO received submissions from Alinta, Landfill Gas & Power (LGP), and Synergy. The details of the submissions received during the first submission period and the outcomes from any discussions of the proposal at public forums and workshops are summarised below. The full text of the public submissions is also available on the IMO web site.



### **3.2.1 Submission from Alinta**

Alinta agreed with the Rule Change Proposal on the grounds that it would promote achievement of Market Objective (b) of the Market Rules and not be an impediment to any of the other objectives. Specifically, Alinta viewed that in the event that a retailer with a DSM programme loses a customer through churn which is also contributing towards a DSM requirement, the retailer should be allowed to substitute the lost customer with another customer as soon as possible. Alinta welcomed the proposed reduction from six months to one month for de-registering a Curtailable Load, but also questioned whether there was any genuine need to impose any restriction on the timetable for the de-registration of a Curtailable Load.

#### *3.2.1.1 The IMO's response to Alinta's submission.*

In response to Alinta's suggestion to eliminate the minimum de-registration timeframe of one month for Curtailable Loads, the IMO noted that System Management requested that it be retained. The IMO supported this position given that there are administrative and operational impacts associated with de-registration of Facilities which will impact on both System Management and the IMO.

### **3.2.2 Submission from Landfill Gas and Power**

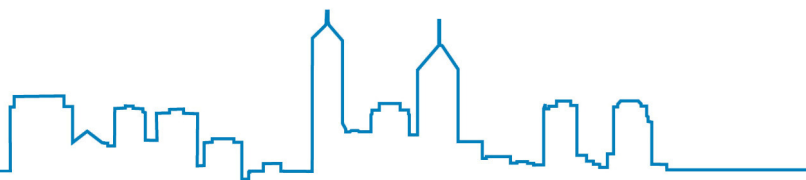
LGP submitted that it supported the proposed Rule Change on the grounds that it facilitates retailer participation in DSM. This is achieved through the removal of the risk to retailers that they will retain the DSM obligations attached to a particular load for six months after the load has transferred to another retailer. This change will also ensure that retailers with DSM Programmes can effectively fulfil their Reserve Capacity Obligations by drawing on other available loads in place of churned curtailable loads.

### **3.2.3 Submission from Synergy**

Synergy supported the proposed Rule Change on the grounds that it supports the operation of the Market Objectives. Specifically, Synergy viewed that the proposal supports market objective (a) by promoting the economically efficient supply of electricity in the South West Interconnected System. This proposal will have the effect of ensuring that Market Customers can effectively fulfil their Reserve Capacity Obligations by drawing on other available loads in place of churned curtailable loads. Synergy also viewed that the proposal supports market objective (e) as it encourages the participation of DSM Programmes within the marketplace.

## **3.3 Public Forums and Workshops**

No public forums or workshops were held in relation to this Rule Change.



## 4. THE IMO'S DRAFT DECISION

The IMO's draft decision was to implement the amendments to clause 2.33.4(d), as proposed in its Rule Change Proposal and endorsed by the Market Advisory Committee. The IMO made its draft decision on the basis that the resulting Amending Rules would allow the Market Rules to better address the Wholesale Market Objectives.

The wording of the relevant Amending Rules is presented in section 7 of this Report.

## 5. SECOND SUBMISSION PERIOD

Following the publication of the Draft Rule Change Report on the IMO website, the second submission period was between 24 November 2008 and 19 December 2008. The IMO did not receive any submissions during this period.

No interested party expressed concerns regarding the amendments to the Market Rules outlined in the Draft Rule Change Report. The IMO therefore considers that both the proposal and the IMO's draft decision have the support of the Participants in the Wholesale Electricity Market.

## 6. THE IMO'S FINAL ASSESSMENT

In preparing this Final Rule Change Report, the IMO must assess the Rule Change Proposal in light of clauses 2.4.2 and 2.4.3 of the Market Rules. This is outlined in the following sections.

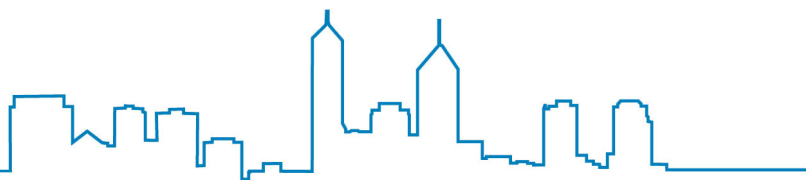
### 6.1 Market Objectives

According to clause 2.4.2 of the Market Rules *"the IMO must not make Amending Rules unless it is satisfied that the Market Rules, as proposed to be amended or replaced, are consistent with the Wholesale Market Objectives"*.

The IMO considers that the proposed Amending Rules will have the following impact on how the Market Rules address the Wholesale Market Objectives:

Impact	Wholesale Market Objectives
Allow the Market Rules to better address objective	a, and e
Consistent with objective	b, c, and d
Inconsistent with objective	-

The IMO's assessment against market objectives (a) and (e) is as follows:



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

The proposed amendments allow the Market Rules to better address market objective (a) by ensuring that retailers can effectively fulfil their Reserve Capacity Obligations by drawing on other available loads in place of churned curtailable loads. The IMO perceives that this will promote the economically efficient supply of electricity in the South West Interconnected System. In its submission Synergy supported this assessment.

- (e) *to encourage the taking of measures to manage the amount of electricity used and when it is used.*

The proposed amendments allow the Market Rules to better address market objective (e) as it encourages participation in DSM Programmes by reducing the risk to retailers. The IMO perceives that increased DSM participation will mean that load can be reduced in times of high demand, thus avoiding the need for additional generation. In its submission, Synergy supported this assessment that the proposed Amending Rules will encourage the participation of DSM programmes within the marketplace.

The IMO submits that the proposal is consistent with the remaining market objectives.

## **6.2 Practicality and cost of implementation**

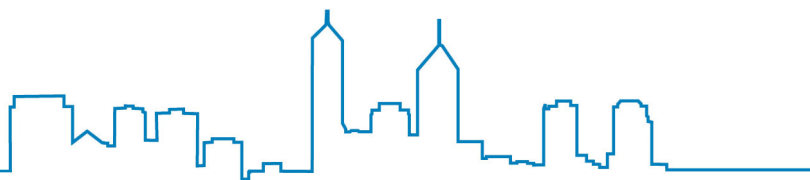
In accordance with Clause 2.4.3(b) of the Market Rules, in deciding whether or not to make Amending Rules, the IMO must also have regard to the practicality and cost of implementing the Amending Rules.

The proposed changes do not require any change to the Wholesale Electricity Market Systems operated by the IMO. No other costs have been identified in relation to the implementation of the proposed changes.

## **6.3 Views expressed in submissions**

In accordance with Clause 2.4.3(c) of the Market Rules, in deciding whether or not to make Amending Rules, the IMO must have regard to the views expressed in submissions on the Rule Change Proposal.

The proposed changes had the support of all submitters in the first round of consultation. No interested party expressed concerns regarding the amendments to the Market Rules outlined in the Draft Rule Change Report. The IMO therefore considers that both the proposal and the IMO's draft decision have the support of the Participants in the Wholesale Electricity Market.





## 7. The IMO's Final Decision

The IMO's final decision is to implement the proposed amendments to clause 2.33.4(d) of the Wholesale Electricity Market Rules.

The IMO has made its decision on the basis that the Amending Rules will allow the Market Rules to better address the Wholesale Market Objectives.

The wording of the Amending Rules is provided in section 8 of this report.

### 7.1 Amending Rules Commencement

The amendments resulting to the Market Rules resulting from this Rule Change Proposal will commence at 8:00am on 1 February 2009.

## 8. AMENDING RULES

The following clauses are amended (~~deleted wording~~, new wording):

2.33.4. The Facility de-registration form prescribed by IMO must require that the applicant provide the following:

- (a) the relevant non-refundable Application Fee;
- (b) identification of the Registered Facility to which the application relates;
- (c) Information as to whether the Registered Facility is being;
  - i. decommissioned; or
  - ii. moth-balled or placed in reserve shut-down, in which case information on the time required to return the Registered Facility to service should be included;
- (d) a proposed date on which that Registered Facility is to cease to be registered in the name of that Rule Participant where that date must be;
  - i. not earlier than six months after the date of application if the Facility will cease operation; or
  - ii. the date the application is accepted in the event that the Facility has been rendered permanently inoperable; ~~and~~ or
  - iii. not earlier than one month after the date of application if the Facility is a Curtailable Load, which is associated with a Demand Side Programme and has been registered in accordance with clause 4.8.3; and

- (e) such other information as the IMO considers it requires to process the application; and
- (f) a statement that the information provided is accurate.

## 9. GENERAL INFORMATION ABOUT RULE CHANGE PROPOSALS

Clause 2.5.1 of the Market Rules provides that any person (including the IMO) may make a Rule Change Proposal by completing a Rule Change Proposal Form and submitting this to the IMO.

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
- (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. Under the shorter fast track process the IMO consults with Rule Participants who either advise the IMO that they wish to be consulted or the IMO considers have an interest in the change.