
Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2010_29 Curtailable Loads and Demand Side Programmes

Submitted by

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Submission

1. Please provide your views on the proposal, including any objections or suggested revisions.

The ability to curtail Loads provides a potentially valuable option to System Management to avoid otherwise unplanned load shedding during periods of peak system demand.

For this reason, Alinta is generally supportive of the Market Rules appropriately incentivising the provision of capacity by loads that may be curtailable.

However, for the following reasons Alinta does not consider it necessary or desirable to proceed with RC_2010_29 at this time.

- The IMO will shortly engage the services of an economic consultant to assist it in reviewing the Reserve Capacity Mechanism (RCM), and to provide it with recommendations on any practical changes to the RCM to deliver economic efficient outcomes, including ensuring appropriate investment signals and incentives for the 'right' mix of Facilities. The scope of works specifically requires that the consultant consider whether the RCM is delivering the optimal mix of generation and Demand Side Management (DSM) capacity.

It appears very likely that substantial changes to the RCM will be recommended following this review. For this reason, it appears premature to amend the Market Rules as proposed by RC_2010_29 ahead of the recommendations of the review being considered by the Market Advisory Committee (MAC).

- To the extent that the IMO has developed a workable approach that is permissible within the current Market Rules, there appears to be no practical need for amending the Market Rules as proposed by RC_2010_29.

As noted in the Rule Change Proposal, the IMO advised the MAC of a number of perceived issues associated with Curtailable Loads and demand side management (DSM) in May 2010. In the intervening period, it successfully completed a Reserve Capacity Cycle assigning a significant number of new Capacity Credits to DSM/Demand Side Programmes (DSP).

In addition, Alinta considers that the following aspects of RC_2010_29 require further consideration.

Measurement of Curtailable Load / Demand Side Programme performance

In response to RC_2010_12, Alinta noted that that Rule Change Proposal would amend clause 4.11.3B of the current Market Rules to measure whether or not Curtailable Loads or DSPs had met the Required Level, by comparing actual post dispatch consumption to their Relevant Demand less the Capacity Credits associated with the Curtailable Load or DSP.

Irrespective of whether Relevant Demand is measured by IRCR or by the 32 Peak Trading Intervals, this method risks misrepresenting the amount of capacity actually 'provided' by the Curtailable Load or DSP where actual pre-dispatch consumption is lower than the Relevant Demand of the Curtailable Load or DSP.

This method also differs from the manner that capacity obligations apply to other Scheduled Facilities because when dispatched, the additional capacity (or energy) provided by those facilities will be known with certainty and those facilities are only be paid for the additional capacity actually made available to the system.

In contrast, proposed clause 4.11.3B would allow Curtailable Loads and DSPs already operating below their Relevant Demand to be paid as if they had reduced consumption from their Relevant Demand level. Of course, the converse is also the case - Curtailable Loads or DSPs operating above their Relevant Demand would only be paid to the extent they reduced consumption below their Relevant Demand level.

That the Market Rules effectively assume that a Curtailable Load or DSP is operating at its Relevant Demand level before a dispatch instruction from System Management would appear to create a potential misalignment between the objective of System Management in issuing a dispatch instruction (i.e. to achieve a specific system load reduction) and the (financial) incentive faced by Market Participants that registered the Curtailable Load or DSP (i.e. to minimise the actual load reduction).

As a result, it would appear that the proposed clause 4.11.3B would also lead to System Management being uncertain as to the effectiveness of a issuing a dispatch instruction to Curtailable Loads or DSPs to achieve a specific targeted load reduction.

Deregistration of DSP

Alinta notes that RC_2010_29 proposes to amend clause 2.33.4(d)(ii) of the current Market Rules to remove the reference to the deregistration of a Curtailable Load.

Alinta questions whether provision has been made in the Market Rules as amended by RC_2010_29 to allow a DSP to be deregistered.

2. Please provide an assessment whether the change will better facilitate the achievement of the Market Objectives.

Market Rule 2.4.2 states that 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 Wholesale Market Objectives are 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.
- (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.

Alinta considers that until the RCM is reviewed, the IMO cannot be satisfied that RC_2010_29 is consistent with the Wholesale Market Objectives, and in any event that it is unlikely to be inconsistent with the Wholesale Market Objectives.

Specifically, over the past four years, the quantity of Capacity Credits assigned by the IMO to Curtailable Loads and/or DSPs registered by Market Customers that do not supply energy to those Loads has increased more than 15 fold, from around 21 MW for the 2008/09 Capacity Year to around 320 MW for the 2012/13 Capacity Year.

- The effect has been to transfer around \$93 million from Market Generators to those Market Customers that only register Curtailable Loads and/or DSPs and do not supply energy to any Loads.
- Since 2010/11, more than 50 per cent of the excess supply of Capacity Credits can be attributed to Capacity Credits assigned to Market Customers that only register Curtailable Loads and/ DSPs but do not supply energy to any Loads.

To the extent the amendments to the Market Rules contemplated by RC_2010_29 reinforce the status quo, the outcome is likely to be inconsistent with Market Objectives (a), (b), (c) and (d).

3. Please indicate if the proposed change will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.

The changes to the Market Rules contemplated by RC_2010_29 would not require Alinta to change its IT or business systems, and hence there are no IT or business costs associated with the rule change proposal.

4. Please indicate the time required for your organisation to implement the change, should it be accepted as proposed.

The changes to the Market Rules contemplated by RC_2010_29 would not require Alinta to change its IT or business systems, and hence there is no specific period of time that would be required to implement the changes arising from the rule change proposal.