
Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2010_29 Curtailable Loads and Demand Side Programmes

Submitted by

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Date submitted:	25 January 2011

Submission

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

Rule Change Proposal RC_2010_29 acts to amend the Market Rules to ensure consistency between the treatment of Curtailable Loads (CLs) and other capacity types.

Synergy supports implementation of:

- **Issue 1: Registration of Curtailable Loads**, which will replace the concept of a CL being a Registered Facility with a Demand Side Programme (DSP) being the Registered Facility;
- **Issue 2: Facility Definition**, which will allow for the dispatch of a DSP instead of dispatching each CL within the DSP. The amount of curtailability a DSP is able to offer will not be limited, in the same way that there is no limit on the amount of generation that a Scheduled Generator can provide;
- **Issue 4: Measurement of CL Performance**, which will ensure that DSP is treated in a similar manner to other Facilities by measuring its consumption at an aggregated level to determine its Reserve Capacity Obligations. Further, Synergy supports the removal from the Market Rules of exclusion due to maintenance (clause 4.26.2C(d)), as there is already a payment incentive in place to reduce consumption over peak periods in the Individual Reserve Capacity Requirement (IRCR) calculation;
- **Issue 5: Capacity Cost Refunds**, which will ensure that a DSP will no longer receive a payment for capacity if it is unavailable, but rather will be liable to pay refunds if at any time the programme falls short of its capacity requirements. This includes times where a component Facility is on a Forced Outage;
- **Issue 6: Reserve Capacity Security**, which will ensure that a DSP has its security either returned or forfeited (as applicable) in the same way as a generation Facility (N.B. changes to

the Market Rules are not required to effect this issue). Synergy notes its support for RC_2010_12, which acts to amend the Market Rules so that a DSP is considered as a single Facility for the purposes of evaluating a request for the return of Reserve Capacity Security; and

- **Issue 7: Stipulated Default Loads**, which incorporates the concept of a Stipulated Default Load into the DSP. This will ensure that Capacity Credits accurately reflect the true curtailability of a DSP.

Synergy does not support implementation of:

Issue 3: Market Fees, which will ensure that DSM providers will continue to pay zero Market Fees to the IMO (N.B. changes to the Market Rules are not required to effect this issue). Demand Side Management (**DSM**) will take on an increasing share of the required capacity, IMO time and market resources. Synergy believes that it is opportune to now consider a mechanism by which DSM providers pay fees to the market. The current fee recovery structure, based on energy generated and consumed, will require review; since DSM generates no energy, DSM providers currently pay little in the way of fees.

Issue 8: Potential Double Payment, which ensures that a DSP will be paid a Dispatch Instruction Payment if it has curtailed consumption at the request of System Management. No such payment will be made for any energy reduced during a Reserve Capacity test or a Verification Test as there is no appeal by System Management for load curtailment to ensure system security. Synergy considers that a CL already receives appropriate compensation payment through the capacity credit mechanism - it has elected to accept a reduced level of reliability by offering itself to be turned down/off at System Management's request - and therefore should not receive a Dispatch Instruction Payment at all.

A generator under dispatch instructions produces electricity that can be allocated in the market and paid for by a counter-party under a normal market transaction. For a CL, no such transaction occurs, yet a dispatch payment is made regardless. This would suggest that a CL is getting something a generator providing the same capacity is not getting; a dispatch payment to CLs could therefore be construed as being discriminatory against generators.

Synergy considers that Dispatch Instruction Payments to CLs are an unnecessary cost burden on the market without any resulting benefit i.e. no additional energy is produced. CLs have already committed to reducing demand when instructed, for which compensation is paid through the Reserve Capacity Mechanism (**RCM**); there is no rationale to justify continuing another compensation payment to CLs. Synergy therefore believes that to remove this partiality in the market, Dispatch Instruction Payments to CLs should be removed from the Market Rules.

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

Synergy believes that the Rule Change Proposal will allow the Market Rules:

- For **Issue 1: Registration of Curtailable Loads** - to better address Market Objective (a). Synergy agrees with the IMO that assigning the risks associated with determining the appropriate CLs for inclusion in DSPs to the DSM providers will promote greater economic efficiency in the South West interconnected system (**SWIS**);
- For **Issue 2: Facility Definition** - to better address Market Objective (a) by allowing the DSM provider to decide how to deliver any requested curtailment, thereby promoting economic efficiency and Market Objective (b) by ensuring that DSM remains competitive;
- For **Issue 4: Measurement of CL Performance** - to better address Market Objective (c) by considering the consumption of a DSP at an aggregated level, equivalent to the treatment of a Market Generator;

- For **Issue 5: Capacity Cost Refunds** - to better address Market Objective (a) by requiring a DSP which fails to meet its capacity obligations to pay refunds. This will provide incentive for DSPs to be fully available at all times, particularly during system peak times, thereby promoting the efficient, safe and reliable production of electricity supply; and
- For **Issue 7: Stipulated Default Loads** - to better address Market Objective (a) by ensuring that the Capacity Credits assigned to a Facility will more accurately reflect the true availability of a DSP, thereby promoting economic efficiency.

Synergy does not believe that **Issue 8: Potential Double Payment**, where CLs continue to receive a dispatch payment despite not creating and delivering any new energy into the market, will allow the Market Rules to better facilitate the achievement of the Market Objectives.

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.

Should this Rule Change Proposal be accepted, Synergy would not require any changes to IT or business systems, nor incur any organisational costs as a consequence of adopting the proposed change.

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

Should this Rule Change Proposal be accepted, Synergy would be able to implement this rule change immediately.
