
Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2010_29 Curtailable Loads and Demand Side Programmes

Submitted by

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Submission

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

Draft Rule Change Report: Curtailable Loads and Demand Side Programmes
Ref: RC_2010_29
Standard Rule Change Process
Dated 18 March 2011

System Management submits the following three issues.

1 Market Participant Registration

“The IMO notes that amending the Market Rules to create a DSP Provider as a new class of Rule Participant would be a much more complex option to implement than the IMO’s proposal to simply define a DSP as a type of Facility. If a DSP Provider were to be registered as a distinct type of Rule Participant, the IMO would still need to define a new facility type to allow for Standing Data to be provided and Dispatch Instructions to be issued etc. The IMO notes that DSPs are registered as a Rule Participant in the Market Customer class.

The IMO considers that the proposed solution of simply registering a DSP as a type of Facility represents a reasonable balance between additional complexity being incorporated of the Market Rules and the operational practicality. As such no further updates have been proposed.”

System Management does not understand why this is more complex.

It understands that the DSP provider is providing “another electricity related service” as contemplated by rule 2.28.13. however this is no different to an Ancillary Service Provider class of Market participant.

A DSP provider clearly does not fit the description of Market Customer who “sells electricity to customers”.

By Allowing the DSP provider to register in the Market Customer class the IMO would inadvertently allow the DSP provider to participate in other areas of the Market. For example they could be a counter party to bilateral submissions and also participate in the STEM. System Management contends that this is an unintended consequence that could be avoided by specifying a new class of rule participant. There would be no prohibition in a company being a Market Customer and a DSP provider if they qualify just a now a company can be both Market Customer and Market Generator.

Given that the DSP provider is not intended to pay Market Fees or Balancing or Ancillary service costs all of which are currently faced by Market Customers, it would improve the integrity of the Market Rules and the commercial risk position of participants who only provide DSP to have a separate class of Market Participant.

If the IMO were to find that there is no need to distinguish between rule classes who are able to register different classes of facilities then this would raise the question: Is there a need for both Market Generator and Market Customer classes and would it not be more efficient to simply have Market Participants that share costs and benefits of the market.

System Management understands that IMO IT system changes are required which means there is added cost but not complexity.

System Management contends that the IMO should reconsider the creation of a new participant class for DSP providers.

2 Dispatch of DSPs

“The IMO notes that a further issue has been identified, relating to the inconsistent use of the concept of blocks of capacity from a DSP between the capacity and energy side of the market. To clarify, the IMO notes that under the proposed changes the concept of blocks will only apply for the purposes of bidding into the Reserve Capacity Auction, and not for any energy market purposes or when assessing the performance of the DSP against its capacity obligations. Dispatch Instructions would be issued to the DSP and not to any blocks comprising the DSP.

The IMO notes that, as agreed during the September 2010 MAC meeting, it will be working with System Management to further consider the issue of the registration and dispatch of a large number of small DSPs. As such the IMO has not adopted System Management’s proposed amendments.”

System Management is unclear how there can be a separation between having 3 blocks in reserve capacity but no blocks in dispatch. Presumably for reserve capacity purposes each block can have a different characteristic such as the number of times it can be interrupted.

Assuming this to be the case and given that it the IMO is required to provide System Management with the details of the Reserve Capacity Obligations to enable System Management to dispatch the DSP and System Management issues directions to the DSP in accordance with this information, it is not possible to have differing arrangements for Reserve Capacity and Dispatch.

During recent curtailments it was also found that many facilities in the dispatch merit order had a zero MW capability. Under the current rules System Management is still required to issue dispatch instructions to these facilities.

This issue also arises when having to check the compliance of curtailable loads, requiring System Management to perform needless tasks.

System Management contends that the IMO should reconsider having blocks for capacity but no blocks for dispatch. In addition it considers that the issue with having programs without a minimum dispatch size (10MW as suggested in the first round rule change) has not been addressed by this rule change.

In addition System Management believes that the number of times that the facility can be curtailed should appear with other curtailable load data sitting in section h of the standing data, rather than section k.

System Management notes that further to the MAC recommendation at meeting was held between itself and the IMO on Thursday 7 April 2011. These discussions however did not resolve the need for System Management to potential need to call a large number of small curtailable loads. System Management still believe that a DSP should have a minimum size in order to reduce this burden.

3 Compliance

System Management notes that it has an obligation under Market Rule 7.10.4 which requires it to monitor participant performance under 7.10.1 as given below

“7.10.4. System Management must monitor the behaviour of Market Participants with Registered Facilities to assess whether they are complying with clause 7.10.1 in accordance with its Monitoring and Reporting Protocol.

7.10.1. Subject to clause 7.10.2, a Market Participant other than the Electricity Generation Corporation must comply with:

- (a) subject to paragraph (b), its Resource Plan except where it relates to Intermittent Generators;
- (b) if a Dispatch Instruction has been issued for a Registered Facility for a Trading Interval, the most recently issued Dispatch Instruction applicable to the Registered Facility for the Trading Interval; and
- (c) a direction given to the Market Participant under clauses 7.6 or 7.10.7(a).”

System Management contends that it is impossible to monitor compliance for a Demand Side Program as there is no SCADA facilities associated with a program and only in special circumstances with the individual loads associate with that program.

As such System Management believes the IMO should change the following to clause 7.10.4

7.10.4. System Management must monitor the behaviour of Market Participants with Registered Facilities to assess whether they are complying with clause 7.10.1 in accordance with its Monitoring and Reporting Protocol, except where it relates to a Demand Side Program.

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

System Management believes that the proposed changes with the suggestions from System Management addresses the concerns expressed.

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.

This Rule Change Proposal will involve changes to System Management's IT systems to accept the new class of facility registration and new type of dispatch instruction.

Costs involved in progressing IT changes to implement this Rule Change Proposal have not yet been evaluated by System Management, as there is no IMO Interface Specification to cost to. It is expected that IT interface modifications to reflect changes highlighted in the Rule Change Proposal would prove to be minimal.

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

The expected implementation date of this Rule Change Proposal has not been estimated as there is no IMO Interface Specification to cost to. It is expected that modifications to the interface specification will be able to amend its IT systems prior to the Rule Change commencement date.