
Wholesale Electricity Market Rule Change Proposal

Change Proposal No: RC_2010_35
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Change requested by:

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Date submitted:	17 November 2010
Urgency:	High
Change Proposal title:	Use of forecasts in SRC assessment
Market Rule affected:	4.24.1 and the Glossary

Introduction

Clause 2.5.1 of the Wholesale Electricity Market Rules (Market Rules) provides that any person (including the Independent Market Operator (IMO)) may make a Rule Change Proposal by submitting a completed Rule Change Proposal form to the IMO.

This Rule Change Proposal can be posted, faxed or emailed to:

Independent Market Operator

Attn: General Manager, Development
PO Box 7096
Cloisters Square, Perth, WA 6850

Fax: (08) 9254 4339

Email: market.development@imowa.com.au

The IMO will assess the proposal and, within five Business Days of receiving this Rule Change Proposal form, will notify you whether the Rule Change Proposal will be further progressed.

In order for the proposal to be progressed, all fields below must be completed and the proposal must explain how it will enable the Market Rules to better contribute to the achievement of the wholesale electricity market objectives. The objectives of the market 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.

Details of the proposed Market Rule Change

1. Describe the concern with the existing Market Rules that is to be addressed by the proposed Market Rule change:

Background

The IMO must seek to acquire supplementary reserve capacity (SRC) if it considers, at any time after the Reserve Capacity Auction has occurred or has been cancelled, that inadequate Reserve Capacity will be available in the South West interconnected system (SWIS).

In making its determination that SRC is required, the IMO must make reference to clause 4.5.9 of the Market Rules, which outlines the Planning Criterion that is used to set the Reserve Capacity Target for each year in the Long Term PASA Study Horizon. The Long Term PASA Study Horizon is defined in the Market Rules as the ten year period commencing on 1 October of Year 2 of a Reserve Capacity Cycle.

The IMO has historically provided forecasts in the Statement of Opportunities for the Capacity Year commencing on 1 October of Year 1 of each Reserve Capacity Cycle, in addition to the ten year Long Term PASA Study Horizon period. Although this has not been a requirement of the Market Rules, the IMO has considered that this additional forecast provides beneficial information for Market Participants.

Issues

The Market Rules currently limit the IMO's assessment of SRC requirements to those forecasts that are developed for the Long Term PASA Study Horizon. As the Long Term PASA Study Horizon does not commence until 1 October of Year 2 of a Reserve Capacity Cycle, the IMO is thus unable to use the demand forecasts from the most recent Statement of Opportunities. The IMO considers that it would be more practical and desirable to perform the assessment of SRC requirements with the most recently available demand forecasts, that is those available from 1 October of Year 1 of each Reserve Capacity Cycle.

The IMO also considers that the Long Term PASA Planning Horizon should begin from 1 October of Year 1 of a Reserve Capacity Cycle. The IMO considers that this will improve the information available to Market Participants.

Currently the Market Rules refer to the “Planning Criterion”, but this is incorrectly defined in the Glossary as the “Planning Criteria”. The Glossary needs to be amended for consistency.

Proposal

The IMO proposes to amend clause 4.24.1 of the Market Rules to allow the IMO to use the most recent published forecasts in its determination of SRC requirements, removing the current limitation.

In addition, the IMO proposes to amend the Glossary (Chapter 11) to:

- change the two instances of “Planning Criteria” to “Planning Criterion” for consistency with the remaining references in the Market Rules; and
- amend the Long Term PASA Planning Horizon to begin from 1 October of Year 1 (currently Year 2) of a Reserve Capacity Cycle.

The IMO highlighted the current limitation in the Market Rules to the Market Advisory Committee (MAC) at the October 2010 meeting, and indicated its intent to remove the limitation through a Fast-Track Rule Change Proposal. The MAC generally supported this proposal

2. Explain the reason for the degree of urgency:

The IMO submits that this Rule Change Proposal should be fast-tracked, on the basis that it satisfies the criteria in clauses 2.5.9(a) and 2.5.9(b) of the Market Rules.

Clause 2.5.9 states:

The IMO may subject a Rule Change Proposal to the Fast Track Rule Change Process if, in its opinion, the Rule Change Proposal:

- (a) is of a minor or procedural nature;*
- (b) is required to correct a manifest error; or*
- (c) is urgently required and is essential for the safe, effective and reliable operation of the market or the SWIS.*

The IMO submits that not allowing it to use the most recently published forecasts in its determination of SRC requirements is a manifest error. As such, the proposal fulfils sub-clause 2.5.9(b) and therefore may be fast-tracked.

The IMO submits that the remaining proposed changes consist of minor amendments which will improve the determination of SRC and the consistency of the Market Rules. There will be no operational impact on the IMO or Market Participants associated with starting the Long Term Planning Horizon from 1 October of Year 1. Additionally, the proposed change to reference the “Planning Criterion” does not seek to amend the operation of the Market Rules. As such the proposal fulfils sub-clause 2.5.9(a), in that it is of a minor in nature, and may therefore be fast-tracked.

3. Provide any proposed specific changes to particular Rules: (for clarity, please use the current wording of the Rules and place a ~~strikethrough~~ where words are deleted and underline words added)

4.24.1. If, at any time after the day which is six months before the first Capacity Year the IMO considers that, in its opinion, inadequate Reserve Capacity will be available in the SWIS to ~~satisfy~~ maintain Power System Security and Reliability, using the most recent published forecasts and the methodology ~~the requirements described~~ outlined in clauses 4.5.9(a) and (b), and the Reserve Capacity Auction intended to secure Capacity Credits for that time has already occurred or been cancelled, then it must:

- (a) determine the expected start and end dates for the period of the shortfall;
- (b) determine the expected amount of the shortfall; and
- (c) seek to acquire supplementary capacity in accordance with clause 4.24.2.

Chapter 11:

Long Term PASA Study Horizon: The ten year period commencing on 1 October of Year ~~2~~ 1 of a Reserve Capacity Cycle.

Planning ~~Criteria~~ Criterion: Has the meaning given in clause 4.5.9.

Reserve Capacity Target: In respect of a Capacity Year, the IMO’s estimate of the total amount of generation or Demand Side Management capacity required in the SWIS to satisfy the Planning ~~Criteria~~ Criterion for that Capacity Year determined in accordance with clause 4.5.10(b).

4. Describe how the proposed Market Rule change would allow the Market Rules to better address the Wholesale Market Objectives:

Use of forecast information

The IMO considers that the proposed changes to permit the IMO to use the most recent forecasts when assessing the requirements for SRC will have the following impact on the Market Objectives:

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

The proposed changes will allow the Market Rules to better address Market Objective (a) by improving in the IMO's determination of any SRC requirements for the market. This will result in:

- more economically efficient outcomes, as a call for SRC only being issued when the market actually needs additional capacity; and
- improvements in system security and reliability, by ensuring that the IMO is able to identify that a shortfall in capacity is going to occur and has sufficient time to procure any necessary additional capacity.

Start of the Long Term Planning Horizon

The IMO considers that the proposed change to the start date for the Long Term Planning Horizon will have the following impact on the Market Objectives:

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

The proposed changes will allow the Market Rules to better address Market Objective (a) by improving the availability of information for Market Participants and therefore promoting greater economic efficiency.

Planning Criterion

The IMO considers that the proposed changes which change the instances of "Planning Criteria" to "Planning Criterion" are consistent with the operation of the Wholesale Market Objectives.

5. Provide any identifiable costs and benefits of the change:

Costs:

No costs associated with implementing these proposed changes have been identified.

Benefits:

The proposed changes will improve the determination of SRC and improve the consistency of the Market Rules.