



Independent Market Operator

Rule Change Notice

**Title: Curtailable Load Dispatch
for NCS and Changes to the
RCOQ for Curtailable Loads
under certain circumstances**

Ref: RC_2011_08

Standard Rule Change Process

Date: 18 July 2011

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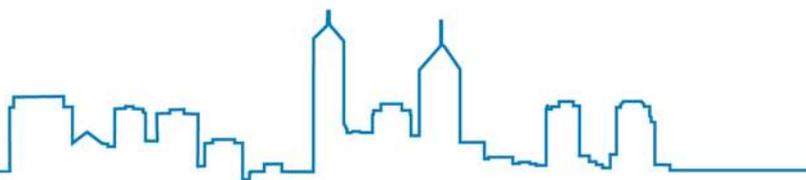
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DOCUMENT DETAILS

IMO Notice No.: RC_2011_08
Report Title: Rule Change Notice: Curtailable Load Dispatch for NCS and Changes to the RCOQ for Curtailable Loads under certain circumstances
Release Status: Public
Confidentiality Status: Public domain
Published in accordance with Market Rule 2.5.7

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1. THE RULE CHANGE PROPOSAL

1.1. The Submission

On 14 July 2011 System Management submitted a Rule Change Proposal regarding amendments to clauses 4.12.4, 4.12.8, 4.26.2D and 7.6.10 of the Wholesale Electricity Market Rules (Market Rules).

This Rule Change Notice is published according to clause 2.5.7 of the Market Rules, which requires the Independent Market Operator (IMO) to publish a notice within 7 Business Days of receiving a Rule Change Proposal.

1.1.1 Submission details

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Address:	
Date submitted:	14 July 2011
Urgency:	3 - High
Change Proposal title:	Curtailed Load Dispatch for Network Control Services and Changes to the Reserve Capacity Obligation Quantity for Curtailed Loads under certain circumstances
Market Rules affected:	Clauses 4.12.4, 4.12.8, 4.26.2D and 7.6.10

1.2. Details of the Proposal

In its Rule Change Proposal, System Management raises two issues around the relationship between the grounds for the dispatch of a Curtailed Load and the Reserve Capacity Obligation Quantity (RCOQ) of the Facility.

Issue 1: The Market Rules limit the dispatch of Curtailed Loads and so limit the effectiveness of alternate options to network investment in Network Control Service Contracts.

System Management notes that it may dispatch Curtailed Load Facilities under its obligations in clause 7.6.10 of the Market Rules:

- 7.6.10 *Where a Market Participant has Capacity Credits granted in respect of a Curtailed Load:*
- (a) *the IMO must provide System Management with the details of the Reserve Capacity Obligations to enable System Management to dispatch the Curtailed Load.*
 - (b) *System Management may issue directions to the Curtailed Load in accordance with the Reserve Capacity Obligations.*

System Management further notes that the Reserve Capacity Obligations are determined by a particular Availability Class, being 24, 48, 72 or 96 hours in any year, and also by clause 4.12.8 which prevents full dispatch for more than 2 days:

4.12.8 Where a Curtailable Load is dispatched to a level equal to its Reserve Capacity Obligation Quantity on two consecutive days the Reserve Capacity Obligation Quantity for the following day shall be zero.

System Management may need to issue Dispatch Instructions to Curtailable Loads either to meet system security in accordance with the Dispatch Merit Order or else under Network Control Service Contracts.

Network Control Service Contracts generally require unrestricted dispatch, that is for more than 2 consecutive days and more than 24 hours per year. System Management considers that the current Market Rules prevent System Management from dispatching Curtailable Loads for this purpose.

As such, System Management believes the Market Rules could prevent the operation of Network Control Services as agreed between the Curtailable Load Owner and the Network Service Provider.

Issue 2: The Market Rules reduce the RCOQ for Curtailable Loads for unintended purposes being Network Control Service Dispatch, Ancillary Service, Tests and Balancing Support.

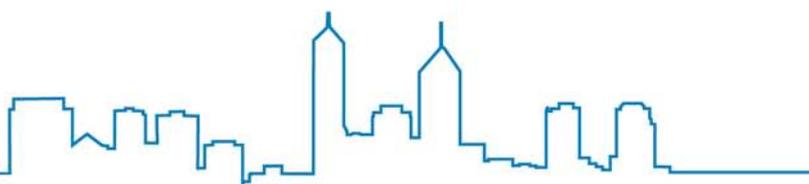
System Management notes that the IMO, at the MAC meeting of 13 July 2011, requested System Management include this issue in its Rule Change Proposal, as it is related to the RCOQ of Curtailable Loads. This issue expands the scope of the concept to include Ancillary Services Contracts, Testing and Balancing Support Contracts.

System Management notes that it may issue a dispatch instruction under clause 7.6.6:

7.6.6. System Management may issue Dispatch Instructions to Market Participants other than the Electricity Generation Corporation:

- (a) in accordance with any Ancillary Service Contract;*
- (b) in accordance with any Balancing Support Contract;*
- (c) in accordance with the details of any Network Control Service Contract, as advised to System Management by a Network Operator in accordance with clause 5.3A.3 or updated by a Network Operator in accordance with clause 5.2A.4;*
- (d) in connection with any test of equipment allowed under these Market Rules; or*
- (e) under clause 7.6.3 or clause 7.6.4.*

System Management notes that the availability of a Curtailable Load is limited in the number of times it can be called per year. For example, a Curtailable Load can have a limit of six



activations per Capacity Year. A Curtailable Load, however, may be called for various purposes, such as a Reserve Capacity test or a Network Control Service. These requirements are additional to the need to have the Curtailable Load available to meet system supply shortfalls.

System Management suggests that the dispatch of a Curtailable Load should only count towards the annual limit of activations if it was called for system security purposes, that is, only for the reason given in clause 7.6.6(e).

Clauses 4.12.4 and 4.12.8 define the Reserve Capacity Obligations at any time for a Curtailable Load:

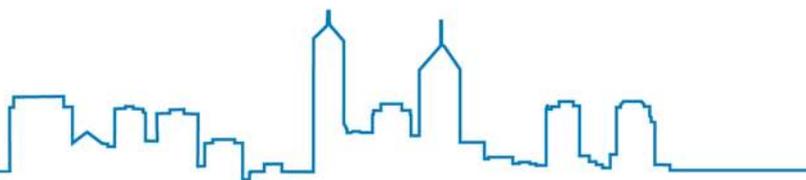
- 4.12.4. *Subject to clause 4.12.5, the IMO must apply the following principles in establishing the initial Reserve Capacity Obligation Quantity to apply for a Facility for a Trading Interval: ...*
- (c) *for Interruptible Loads, Curtailable Loads and Dispatchable Loads, except where otherwise precluded by this clause 4.12.4, the Reserve Capacity Obligation Quantity for each block:*
- i. must be required to be available for a number of hours per year that does not exceed the maximum number of hours per year as specified in accordance with clause 4.10.1(f)(ii);*
 - ii. must be required to be available for a number of hours per day that does not exceed the maximum number of hours per day as specified in accordance with clause 4.10.1(f)(iii);*
 - iii. must be specified as dropping to zero once the capacity from the block has been called the maximum number of times per year as specified in accordance with clause 4.10.1(f)(iv); and*
 - iv. must account for staffing and other restrictions on the ability of the Facility to provide energy upon request.*
- 4.12.8. *Where a Curtailable Load is dispatched to a level equal to its Reserve Capacity Obligation Quantity on two consecutive days the Reserve Capacity Obligation Quantity for the following day shall be zero.*

System Management considers that the current Market Rules amend the RCOQ for any reason, not just those relating to system supply shortfall events.

Proposal

System Management proposes to amend the Market Rules to:

- ensure that System Management's ability to dispatch a Curtailable Load under any of clauses 7.6.6(a)-(d) is not restricted by the Reserve Capacity Obligations of the Facility;
- ensure that only dispatches under clause 7.6.6(e) are considered when assessing whether a Curtailable Load has reached its availability limits under clauses 4.12.4 and 4.12.8; and



- ensure that Capacity Shortfalls are only calculated under clause 4.26.2D for dispatches of Curtailable Loads under clause 7.6.6(e).

1.3. The Proposal and the Wholesale Market Objectives

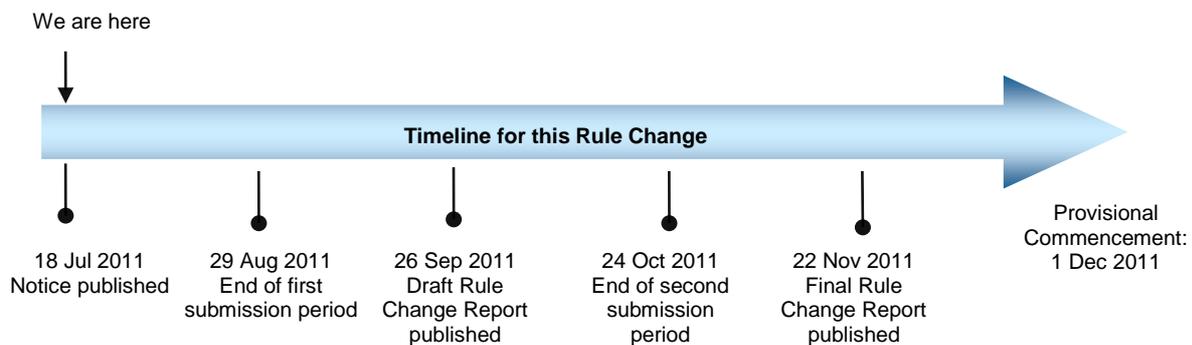
System Management considers that the proposed Rule Change would better address Wholesale Market Objective (a). The change as submitted would promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West Interconnected System.

2. WHETHER THE PROPOSAL WILL BE PROGRESSED FURTHER

The IMO has decided to proceed with this proposal on the basis that Market Participants should be given an opportunity to provide submissions as part of the rule change process.

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

The projected timelines for processing this proposal are:



Please note that the commencement date is provisional and may be subject to change in both the Draft Rule Change Report and the Final Rule Change Report.

3. CALL FOR SUBMISSIONS

The IMO is seeking submissions regarding this proposal. The submission period is 30 Business Days from the publication date of this Rule Change Notice. Submissions must be delivered to the IMO by 5:00pm on **Monday, 29 August 2011**.

The IMO prefers to receive submissions by email to market.development@imowa.com.au using the submission form available on the IMO website: <http://www.imowa.com.au/rule-changes>.

Submissions may also be sent to the IMO by fax or post, addressed to:

Independent Market Operator
Attn: Group Manager, Market Development
PO Box 7096
Cloisters Square, Perth, WA 6850
Fax: (08) 9254 4399

4. PROPOSED AMENDING RULES

System Management proposes the following amendments to the Market Rules (~~deleted text~~, added text). Note that the proposed amendments are shown against the Amending Rules that are scheduled to come into effect on 1 October 2011 with the commencement of the Rule Change Proposal: Curtailable Loads and Demand Side Programmes (RC_2010_29).

- 4.12.4. Subject to clause 4.12.5, where the IMO establishes the initial Reserve Capacity Obligation Quantity to apply for a Facility for a Trading Interval:
- (a) the Reserve Capacity Obligation Quantity must not exceed the Certified Reserve Capacity held by the Market Participant for the Facility;
 - ...
 - (c) for Interruptible Loads, Demand Side Programmes and Dispatchable Loads, except where otherwise precluded by this clause 4.12.4, the Reserve Capacity Obligation Quantity:
 - i. will equal zero once the capacity has been dispatched under clause 7.6.6(e) for the number of hours per year that are specified under clause 4.10.1(f)(ii);
 - ii. will equal zero for the remainder of a Trading Day in which the capacity has been dispatched under clause 7.6.6(e) for the number of hours per day that are specified under clause 4.10.1(f)(iii);
 - iii. will equal zero once the capacity has been dispatched under clause 7.6.6(e) for the maximum number of times per year specified under clause 4.10.1(f)(iv) ~~excluding where the Facility has been requested to perform a Reserve Capacity test in accordance with clause 4.25;~~
 - iv. must account for staffing and other restrictions on the ability of the Facility to curtail energy upon request; and
 - v. will equal zero for ~~intervals~~ Trading Intervals which fall outside of the periods specified in clause 4.10.1(f)(vi).

4.12.8. Where a Demand Side Programme is dispatched under clause 7.6.6(e) to a level equal to its Reserve Capacity Obligation Quantity on two consecutive days the Reserve Capacity Obligation Quantity for the third consecutive day will be zero.

4.26.2D. The IMO must determine the capacity shortfall in Reserve Capacity (“Capacity Shortfall”) supplied by each Market Participant p holding Capacity Credits associated with a Demand Side Programme in each Trading Interval t of Trading Day d and Trading Month m relative to its Reserve Capacity Obligation Quantity as:

(a) where System Management has issued a Dispatch Instruction under clause 7.6.6(e) to the Demand Side Programme for the Trading Interval as advised to the IMO by System Management under clause 7.13.1:

$$\max(0, \min(\text{RCOQ}, \text{DIMW}) - \max(0, \text{RD} - \text{DSPLMW}))$$

where

RCOQ is the Reserve Capacity Obligation Quantity of the Demand Side Programme for Trading Interval t (in MW), determined in accordance with clause 4.12.4;

DIMW is the quantity by which the Demand Side Programme was instructed by System Management to reduce its consumption in Trading Interval t as specified by System Management in accordance with clause 7.13.1(eC), multiplied by two to convert to units of MW;

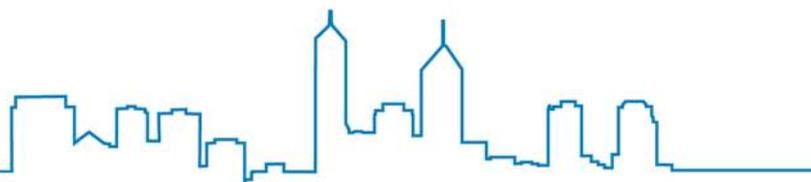
RD is the Relevant Demand of the Demand Side Programme for Trading Day d, determined by the IMO in accordance with clause 4.26.2CA; and

DSPLMW is the Demand Side Programme Load of the Demand Side Programme in Trading Interval t, multiplied by two to convert to units of MW; and

(b) zero, where System Management has not issued a Dispatch Instruction under clause 7.6.6(e) to the Demand Side Programme for Trading Interval t as advised to the IMO by System Management under clause 7.13.1.

7.6.10. Where a Market Participant has Capacity Credits granted in respect of a Demand Side Programme:

(a) the IMO must provide System Management with the details of the Reserve Capacity Obligations to enable System Management to dispatch the Demand Side Programme; and



- (b) any Dispatch Instructions issued by System Management may issue directions to the Demand Side Programme under clause 7.6.6(e) must be in accordance with those Reserve Capacity Obligations.

5. ABOUT RULE CHANGE PROPOSALS

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

The IMO will assess the proposal and, within 5 Business Days of receiving the proposal form, will notify the proponent whether the proposal will be progressed further.

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; and
- (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, while the fast track process involves the IMO consulting with Rule Participants who either advise the IMO that they wish to be consulted or the IMO considers have an interest in the change.