

RULE CHANGE NOTICE

CALCULATION OF AVAILABILITY CLASS QUANTITY CORRECTION

(RC_2011_14)

This notice is given under clause 2.5.7 of the Market Rules.

Date Submitted: 20 January 2012

Submitter: Brendan Clarke, System Management

THE PROPOSAL

The proposal seeks to correct a misalignment between the IMO's calculation of the capacity associated with each Availability Class in a Capacity Year and the IMO's procurement of that capacity. Currently under clause 4.5.12(c) of the Market Rules the calculation of the quantity of capacity required in each of Availability Classes 2, 3 and 4 is inconsistent with hours of availability prescribed for those Availability Classes in Appendix 3. This may result in capacity being assigned to an Availability Class that is required for more hours each year than can be provided by the Facilities in that Availability Class, leading to an increased risk to system reliability.

The Market Advisory Committee was consulted on the proposed amendments during its 14 December 2011 meeting.

Appendix 1 contains the Rule Change Proposal and gives complete information about:

- the proposed amendments to the Market Rules;
- relevant references to clauses of the Market Rules and any proposed specific amendments to those clauses; and
- the submitter's description of how the proposed amendments would allow the Market Rules to better address the Wholesale Market Objectives.

DECISION TO PROGRESS THE RULE CHANGE

The IMO has decided to progress the Rule Change Proposal on the basis that Rule Participants should be given an opportunity to provide submissions as part of the rule change process.

TIMELINE

The projected timelines for processing this proposal are:





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 **Wednesday 7 March 2012**.

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: General Manager, Development
PO Box 7096
Cloisters Square, Perth, WA 6850
Fax: (08) 9254 4399



Wholesale Electricity Market Rule Change Proposal Form

Change Proposal No: [to be filled in by the IMO]
Received date: [to be filled in by the IMO]

Change requested by:

Name:	Brendan Clarke
Phone:	9427 5940
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Email:	brendan.clarke@westernpower.com.au
Organisation:	<i>System Management</i>
Address:	
Date submitted:	<i>20 January 2012</i>
Urgency:	<i>3-high</i>
Change Proposal title:	Calculation of Availability Class Quantity Correction
Market Rule(s) affected:	Clause 4.5.12(c)

Introduction

Market Rule 2.5.1 of the Wholesale Electricity Market Rules provides that any person (including the IMO) may make a Rule Change Proposal by completing a Rule Change Proposal Form that must be submitted to the Independent Market Operator.

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

Independent Market Operator
 Attn: Manager Market Development and System Capacity
 PO Box 7096
 Cloisters Square, Perth, WA 6850
 Fax: (08) 9254 4339
 Email: market.development@imowa.com.au

The Independent Market Operator will assess the proposal and, within 5 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 change 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:

Issue: The Market Rules calculate the quantity of capacity requirement inconsistently with the availability duration of those classes leading to increased risk to system reliability compared to the risk if calculated consistently..

In the Market Rules the provisions relating to the Reserve Capacity Mechanism require the reserve requirement to be calculated for each class of capacity. That is how much of the reserve requirement can be met by facilities, either DSP or Generation, whose availability is also defined.

Appendix 3 of the Market Rules defines how many hours per capacity year the facility owner must

“The following table indicates the required availability of capacity offered for each Availability Class:

Availability Class (i.e. value of “a”)	Minimum Hours of Availability Per Year	Maximum Hours of Availability Per Year
1	96	All
2	72	96
3	48	72
4	24	48

“

For example to comply with the Class 4 obligation a facility owner can offer to make its facility for 24 hours in a capacity year.

Market Rule 4.5.12(b) defines what part of the forecast load can be served by each availability class.

“(c) the capacity associated with each Availability Class where:

- i. the capacity quantity associated with Availability Class 4 is the Reserve Capacity Target for the Capacity Year less the greater of the quantity specified under paragraph (b) and the quantity specified under paragraph (a) as being required for more than 48 hours per year;
- ii. the capacity quantity associated with Availability Class 3 is:
 1. the Reserve Capacity Target for the Capacity Year less the greater of the quantity specified under paragraph (b) and the quantity specified under paragraph (a) as being required for more than 72 hours per year; less
 2. the capacity quantity associated with Availability Class 4;
- iii. the capacity quantity associated with Availability Class 2 is:
 1. the Reserve Capacity Target for the Capacity Year less the greater of the quantity specified under paragraph (b) and the quantity specified under paragraph (a) as being required for more than 96 hours per year; less
 2. the total capacity quantity associated with Availability Class 3 or Availability Class 4;

- iv. the capacity quantity associated with Availability Class 1 is:
 - 1. the Reserve Capacity Target for the Capacity Year; less
 - 2. the total capacity quantity associated with Availability Class 2, Availability Class 3 or Availability Class 4;”

Essentially the portion of the load that is forecast to be required for less than 48 hours per year is considered as Class 4, between 48 and 72 as Class 3 , between 72 and 96 hours as Class 2, with the remainder as Class 1

The IMO then procures capacity with these time duration constraints. The key issue is the duration of the facility availability does not match that of the load availability in the same Class.

For example in Class 4 the load may exist of up to 48 hours yet its facility may be available for only 24 hours, hence there are some loads that are unable to be served for up to 24 hours (being 48 hour load duration less 24 hour facility duration).

Similar situations exist for the remaining classes.

2. Explain the reason for the degree of urgency:

System Management submits that the Rule Change Proposal be progressed with an urgency of high.

The change is urgent as it needs to be in place prior to the calculation of the availability classes to be published in the next Statement of Opportunities.

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)

4.5.12

(c) the capacity associated with each Availability Class where:

- i. the capacity quantity associated with Availability Class 4 is the Reserve Capacity Target for the Capacity Year less the greater of the quantity specified under paragraph (b) and

the quantity specified under paragraph (a) as being required for more than ~~48~~ 24 hours per year;

ii. the capacity quantity associated with Availability Class 3 is:

1. the Reserve Capacity Target for the Capacity Year less the greater of the quantity specified under paragraph (b) and the quantity specified under paragraph (a) as being required for more than ~~72~~ 48 hours per year; less
2. the capacity quantity associated with Availability Class 4;

iii. the capacity quantity associated with Availability Class 2 is:

1. the Reserve Capacity Target for the Capacity Year less the greater of the quantity specified under paragraph (b) and the quantity specified under paragraph (a) as being required for more than ~~96~~ 72 hours per year; less
2. the total capacity quantity associated with Availability Class 3 or Availability Class 4;

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

This proposed Rule Change would better address objective (a) of the Market Objectives. 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. It does this by ensuring the facility availability is equal to or greater than the load it is meant to serve.

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

Benefits:

- The changes allow the appropriate matching of facilities providing capacity and their associated loads.

Costs:

- No costs have been anticipated by System Management other than the administrative costs to change the rules.

