
Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2012_07 Loss Factor Determination

Submitted by

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Submission

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

Verve Energy supports the Rule Change Proposal.

Verve Energy would like to raise the following points for consideration by the Independent Market Operator (IMO):

Inconsistency in definitions and clause drafting:

The Rule Change Proposal includes new definitions for "Distribution Loss Factor" and "Transmission Loss Factor". These proposed definitions are (Verve Energy underlining):

- **Distribution Loss Factor:** A factor representing the average electrical energy losses incurred when electricity is transmitted through a distribution network.
- **Transmission Loss Factor:** A factor representing the average marginal losses incurred with electricity is transmitted through a transmission network.

Further, new subclause 2.27.5(a) notes that "Transmission Loss Factors must notionally represent the marginal transmission system losses" and new subclause 2.27.5(b) notes that "Distribution Loss Factors must notionally represent the average distribution system losses"

Verve Energy notes that the proposed definitions are subtly different to the drafting contained in new subclauses 2.27.5(a) and (b) and questions whether these should be made consistent.

The proposed glossary definition of Loss Factor includes the following statement: “a factor representing network losses between any given node and the Reference Node”. The original subclause 2.27.2(b)¹ (which defined Loss Factors) included a reference to “relative to the Reference Node”.

As part of this Rule Change Proposal original subclause 2.27.2(b) has been split into two new subclauses (to clarify the differences between Transmission and Distribution Loss Factors). New subclause 2.27.5(a) (Transmission Loss Factors) includes a reference to “relative to the Reference Node” however, new subclause 2.27.5(b) (Distribution Loss Factors) does not contain a similar reference.

Verve Energy questions whether this difference is intentional, or whether the drafting should be made consistent. If the drafting difference between new subclause 2.27.5(a) and 2.27.5(b) is intentional Verve Energy questions whether there is an issue with the interaction with the glossary definition of Loss Factor.

Publication of Loss Factors and Loss Factor Classes:

The main body of the Rule Change proposal notes that the current practice is for the IMO to publish each Transmission and Distribution Loss Factor Code² and its new value on the Market Website³. The IMO also notes that the proposed amendments will bring the market Rules into alignment with current practice⁴.

In relation to the publication of Loss Factors and Loss Factor Classes Verve Energy notes that:

- new clause 2.27.7 outlines an obligation for the IMO to publish Transmission and Distribution Loss Factors as soon as practicable after receiving them from all Network Operators. Verve Energy assumes this is in relation to the annual recalculation of Loss Factors under new clause 2.27.6; and
- new clause 2.27.11 outlines an obligation for the IMO to publish a new Transmission and Distribution Loss Factor provided by a Network Operator (in accordance with clause 2.27.10(b)) as soon as practicable after receiving them from the Network Operator. It should be noted that although the Network Operator is obliged to provide the IMO details with a new Loss Factor Class and its initial Transmission and Distribution Loss Factor the IMO is only obligated to publish the Transmission and Distribution Loss Factor and not the Loss Factor Class.

¹ Renumbered to 2.27.5(a) as part of this Rule Change Proposal.

² Verve Energy assumes that the reference to Loss Factor Code in the main body of the report is the same concept as Loss Factor Class in the proposed Amending Rules.

³ Page 4 of 15, RC_2012_07: Rule Change Proposal.

⁴ Page 5 of 15, RC_2012_07: Rule Change Proposal.

Verve Energy questions whether the IMO intends to publish both Loss Factor Classes and Loss Factors (as is the current practice). If so, Verve Energy notes that the IMO receives either initial or re-determined Loss Factor Class information under the following clauses:

- 2.27.10(b): new Loss Factor Class (and initial Transmission or Distribution Loss Factor⁵);
- 2.27.14: determination and re-determination of Loss Factor Classes; and
- 2.27.15(g): re-determination of a Loss Factor Class following an audit.

Consistency between new clauses 2.27.1(a), 2.27.5(d), and 2.27.15:

New clause 2.27.1(a)iii refers to “a Non-Dispatchable Load equipped with an interval meter”. Verve Energy questions whether new clauses 2.27.5(d) and 2.27.15 should also be amended to refer to “equipped with an interval meter”:

Clause	Current reference	Verve Energy comment/suggestion
2.27.1(a)iii	a Non-Dispatchable Load equipped with an interval meter.	N/a, provided for reference only.
2.27.5(d)v	Non-Dispatchable Load above 7000 kVA peak consumption.	Should this clause be amended to: “Non-Dispatchable Load <u>equipped with an interval meter</u> above 7000 kVa peak consumption.”
2.27.15	...Non-Dispatchable Load...	Should this clause be amended to: “...Non-Dispatchable Load <u>equipped with an interval meter</u> registered...”

Definition of Loss Factor and new clause 2.27.3:

Verve Energy considers that the glossary definition of Loss Factor may be enhanced by including the words contained in new clause 2.27.3.

Minor and typographical comments:

- **New clauses 2.27.1(a) and 2.27.5(d):** For consistency Verve Energy suggests that the lists in these clauses follow the same order, for example, clause 2.27.1(a) refers to a Non-Dispatchable Load in subclause (iii) whereas clause 2.27.2(d) refers to a Non-Dispatchable Load in subclause (v).
- **New clause 2.27.5(d):** This clause refers to subclause (ii) twice.

⁵ Verve Energy notes that there is already a publication requirement for the actual Loss Factors part of this clause.

- **New clause 2.27.7:** While acknowledging that this is in the current drafting, Verve Energy questions whether the reference to “all Network Operators” should be updated to “each Network Operator”.
- **Definition of “Distribution Loss Factor Class”:** Verve Energy suggests that the IMO consider the following amendment to this definition: “A group of one for more distribution connection points with common characteristics assigned a common Distribution Loss Factor”.
- **Definition of “Transmission Loss Factor Class”:** Verve Energy suggests that the IMO consider the following amendment to this definition: “A group of one for more transmission connection points with common characteristics assigned a common Transmission Loss Factor”.

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

Verve Energy agrees with the IMO’s assessment that the Rule Change Proposal promotes Wholesale Electricity Market Objective (a).

Further, the Rule Change Proposal seeks to promote the efficiency of the Loss Factor determination process, as such Verve Energy considers that the Rule Change Proposal may promote Wholesale Market Objective (d) in that a more efficient process should lead to a reduction in costs over a longer horizon.

Verve Energy considers that the Rule Change Proposal is consistent with the remaining Wholesale 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.

Verve Energy would not require any changes to its IT or business systems, nor incur any organisation costs as a consequence of adopting the changes.

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

Verve Energy does not need to undertake any actions to implement this Rule Change Proposal.
