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## Wholesale Electricity Market Concept Paper Proposal Form

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**Concept Proposal No:** CP\_2011\_01  
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### Concept requested by

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<b>Date submitted:</b>	27 April 2011
<b>Urgency:</b>	3-high
<b>Concept proposal title:</b>	Placement of Curtailable/Dispatchable in the Dispatch Merit Order
<b>Market Rule(s) affected:</b>	Clause 7.6.3 and Appendix 1

### Introduction

The purpose of a Concept Paper is to foster analysis and discussion of complex issue(s) that can affect the Wholesale Electricity Market (Market), the Market Rules and the Wholesale 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.

This Concept Paper Proposal can be posted, faxed or emailed to:

**Independent Market Operator**  
Attn: Manager Market Development  
PO Box 7096  
Cloisters Square, Perth, WA 6850

Fax: (08) 9254 4339  
Email: [market.development@imowa.com.au](mailto:market.development@imowa.com.au)

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## General Information about Concept Paper Proposals

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On receipt of this Concept Paper Proposal the Independent Market Operator (IMO) will proceed following these steps:

1. Log the proposal and notify the proposer that it has been received;
2. Assess the concept and consult with the Market Advisory Committee (MAC) for prioritisation against other Rule Participant issues registered; and
3. Work cooperatively with the proposer to develop the full concept paper including:
  - assessment against the Market Objectives; and
  - undertaking a detailed cost benefit analysis related to the identified options.

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## Details of the proposed Concept Paper

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### **1. Identify the issue(s) with the existing Market and/or its Market Rules that are to be addressed by the proposed concept paper (including any examples):**

The Market Rules are ambiguous in regard to the placement of curtailable/ dispatchable loads in the dispatch class order. Market Rule 7.6 sets out the order which is currently used by System Management. It categorises supply facilities by ownership (Verve or IPP) and fuel type (broadly liquid and non-liquid).

- Class 1. Verve Non Liquid (other than distillate, fuel oil, liquid petroleum gas, or liquefied natural gas)
- Class 2. IPP Non Liquid (other than distillate, fuel oil, liquid petroleum gas, or liquefied natural gas)

- Class 3. Verve Liquid (distillate, fuel oil, liquid petroleum gas, or liquefied natural gas)
- Class 4. IPP Liquid distillate, fuel oil, liquid petroleum gas, or liquefied natural gas)

Because the market rules do not require that curtailable/dispatchable loads specify their fuel nomination, it is unclear whether they should be dispatched under class 2 or class 4.

The dispatch merit order that is compiled by the IMO and sent to System Management on each scheduling day, a fuel type of “Non-Liquid” is assigned to curtailable/dispatchable loads. This implies membership of Class 2 and System Management dispatches these facilities on that basis.

However, the Market Rules require curtailable/dispatchable loads to enter standing data (Appendix 1.(h)vi and (i)xA) and do not prevent them from entering prices at the alternative maximum STEM (liquid) price. This implies that such facilities should be dispatched as part of Class 4.

In practice, unless there was a genuine system demand for it (which implies that System Management would be considering the dispatch of class 4 facilities), System Management would generally retain this reserve until at least the end of the summer peak period.

Although it would be preferable for curtailable/dispatchable loads to be considered in a Class that is more consistent with the way that they are going to be utilised for the majority of the year, market rule 7.7.4 (c) gives System Management adequate discretion in relation to its current practice.

However, System Management wishes to ensure that the market is aware that, under the current rules it is possible for a curtailable/dispatchable load to be paid at maximum alternative STEM price (liquid) prices if it were to be dispatched alongside other non-liquid members of class 2.

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## **2. Outline the overall objective of the Concept Paper Proposal:**

This concept paper aims to highlight the conflict that is currently in the Market Rules and propose changes to remove it. System Management considers that the Market should discuss the issue as there are likely to be commercial/ efficiency implications for both individual participants and the market as a whole.

Clarity for participants could be removed by removing the ambiguity. Limiting the number of times under which System Management needs to exercise its discretion under 7.7.4(c) would contribute to greater certainty within the market.

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### **3. Identify any reasonably practicable options for achieving the objective:**

There are two options that the market can consider

1. place curtailable and dispatchable loads before Verve liquid in the IPP Non-liquid class for dispatch
2. place curtailable and dispatchable loads after Verve liquid in the IPP Liquid class for dispatch.

System Management believes that the option selected is best decided at MAC.

In the absence of any clear direction System Management believes that curtailable/dispatchable loads be placed within the IPP liquid class (Option 2). This is consistent with low capacity factor facilities requiring higher energy and lower capacity payments relative to middle/ high capacity factor facilities.

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