
Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2015_03 Formalisation of the Process for Maintenance Applications

Submitted by

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Date submitted:	13 May 2015

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

Background

The Market Rules for the Wholesale Electricity Market (WEM) contain special provisions for the treatment of Demand Side Programmes (DSPs) and Non Temperature Dependent Loads (NTDLs).

A DSP is provided with Certified Reserve Capacity (CRC) by the Independent Market Operator (IMO) in the capacity mechanism of the WEM, competing with conventional and intermittent generators to provide the capacity needs of the market. The amount of CRC that is allocated to a DSP is calculated based on the level of "Relevant Demand" of the DSP. The Relevant Demand of the DSP relates to the aggregate level of demand of all the loads making up the DSP during 32 Trading Intervals in the preceding Hot Season. These 32 Trading Intervals are selected from the 8 consecutive Trading Intervals with the highest system demand for each month during the previous Hot Season.

A DSPs ability to be awarded CRC is directly linked to the level of Relevant Demand, which sets the baseline from which the DSP can reduce demand to provide capacity to the system. A higher level of Relevant Demand provides a higher potential for being awarded CRC.

Market Customers must purchase capacity credits, either bilaterally or from the Independent Market Operator (IMO) to cover the Individual Reserve Capacity Requirement (IRCR) of the loads within their portfolio. The IRCR relates directly to their loads performance at the time of system peak in the previous hot season. A higher median demand during the 12 peak Trading Intervals would translate into a higher value of IRCR and therefore a higher requirement to purchase capacity credits.

NTDLs are treated slightly differently to other loads when it comes to IRCR requirements as they are not required to provide as high an “uplift factor” (the multiplier that is applied to the raw median demand reading from the 12 Trading Intervals to arrive at the IRCR obligation) as other loads. This is to recognise that NTDLs are not temperature dependent and are therefore not driving the additional capacity requirements associated with meeting the annual system peak requirement.

To qualify as an NTDL a load may not deviate downwards from its median consumption level by more than 10% for more than 10% of the time.

Issues

The behaviour of loads within DSPs and loads classified as NTDLs during peak Trading Intervals will directly influence the Relevant Level for DSPs and may affect an NTDLs ability to continue to be registered as an NTDL. In particular, significant downwards deviations in demand during these peak Trading Intervals is likely to erode value of a DSP as the Relevant Level will be lowered and with it the amount of CRC awarded. Likewise, the loss of the status as a NTDL would have a direct financial consequence as the level of IRCR would increase.

There may be genuine reasons for drops in demand that should not translate to a drop in Relevant Demand or the loss of the NTDL status. For example, a load may be lowering demand in response to a Dispatch Instruction from System Management or may be on planned maintenance shutdown.

The IMO has to date allowed market participants to apply to have actual meter reads for its loads replaced by estimated reads of what the demand would have been had the load not been on maintenance or responded to a Dispatch Instruction. This application process is provided for in the Market Rules. However, the Market Rules do not prescribe the process for determining the outcome of these applications, nor the information requirements to support the applications. This has led to some confusion and in many instances to the IMO having to reject applications due to lack of relevant information being submitted with the application.

Change Proposal

The IMO submitted Rule Change Proposal RC_2015_03 “Formalisation of the Process for Maintenance Applications” on 27 March 2015.

The IMO proposed to formalise the process for DSPs and NTDLs applying to substitute actual meter reads for estimated ones by introducing a requirement in the Market Rules for the IMO to have in place a Market Procedure setting out the steps and the information requirements to support such applications.

The IMO also proposed to amend the Market Rules to allow it to charge a fee to cover the costs it incurs in processing the applications.

Perth Energy's Views

Perth Energy supports the proposed changes in relation to NTDLs. NTDLs are generally flat and stable loads that do not increase their demand as the temperature increases. Perth Energy therefore considers it reasonable that these loads are not required to contribute towards the system capacity requirement that arises purely from temperature driven loads (mostly air conditioning in hot weather conditions). Perth Energy therefore supports the continuation of the ability for NTDLs to apply for substitute reads for calculating their NTDL status in instances where it may be threatened by for example a maintenance shutdown.

In relation to DSPs, Perth Energy is of the view that DSPs do not provide an equivalent capacity product to that provided by conventional generators. We therefore believe that DSPs should not be awarded capacity credits on par with conventional generators. In any event if a DSP is unavailable to reduce its load during a system peak event due to being on maintenance the usefulness of the DSP is reduced to zero. In our view DSPs should therefore not be able to reinstate their Relevant Demand level by application to the IMO following a low demand reading due to maintenance (planned or forced).

Although we oppose DSPs being awarded capacity credits, should this treatment (of awarding them capacity credits) continue we agree that DSPs should be allowed to apply to reinstate a higher Relevant Demand level if a low level of Relevant Demand was caused by the DSP responding to a Dispatch Instruction from System Management.

Perth Energy agrees that transparency would be improved if the process and information requirements relating to applications to reinstate Relevant Demand levels or NTDL status were to be captured within a Market Procedure.

Perth Energy also considers further clarity around the exact steps and process to go through to determine the outcome of an application to become qualified as an NTDL would be useful to avoid having to rely on someone's interpretation of the Market Rules when making determinations in relation to the classification of NTDLs. This further detail could possibly be captured in the same Market Procedure as the one that will be developed to capture the application process for maintenance in relation to NTDLs and DSPs.

Finally, Perth Energy also agrees that it would be reasonable and also improve the effectiveness and fairness of the market if applicants were to be pay a reasonable administration fee to cover the IMO's costs in processing these applications.

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

Subject to our comments about DSPs, Perth Energy considers the proposed changes will improve the transparency of the Market Rules and improve on cost allocation and fairness with the allowance for the IMO to charge its reasonable costs for processing these applications. Perth Energy also considers the proposed changes will improve overall efficiency of the market, both through the improved transparency of the process allowed for by explicitly describing its requirements in a Market Procedure and also through the

incentives introduced by charging applicants for the reasonable costs incurred by the IMO in processing their applications.

Perth Energy considers the proposed changes on balance are likely to positively impact the ability to achieve Market Objectives¹ (a) and (d). We have not identified any impacts on the remaining 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.

There will be no impacts for Perth Energy flowing from the proposed changes.

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

There will be no impacts for Perth Energy flowing from the proposed changes.

¹ (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.