
Wholesale Electricity Market Procedure Change Proposal

Procedure Change No: **PC_2010_06**

Change requested by

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Procedure change title:	Application for Certification of Reserve Capacity
Market Procedure affected:	Market Procedure for Certification of Reserve Capacity

Introduction

The IMO or System Management, as applicable, may initiate the Procedure Change Process by developing a Procedure Change Proposal. Rule Participants may notify the IMO or System Management, as applicable, where they consider an amendment or replacement of a Market Procedure would be appropriate.

If an Amending Rule requires the IMO or System Management to develop new Market Procedures or to amend or replace existing Market Procedures, then the IMO or System Management, as applicable, is responsible for the development, amendment, or replacement of Market Procedures so as to comply with the Amending Rule.

Market Procedures:

- (a) must:
 - i. be developed, amended or replaced in accordance with the process in the Market Rules;
 - ii. be consistent with the Wholesale Market Objectives; and
 - iii. be consistent with the Market Rules, the Electricity Industry Act and Regulations; and
- (b) may be amended or replaced in accordance with clause 2.10 and must be amended or replaced in accordance with clause 2.10 where a change is required to maintain consistency with Amending Rules.

The Wholesale 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.

Details of Procedure Change Requested

1. Provide a reason for the proposed new, amended or replacement Market Procedure:

Background

Each year Market Participants apply for Certified Reserve Capacity (CRC) in accordance with the provisions in Chapter 4 of the Wholesale Electricity Market Rules (Market Rules). Section 4.10, together with the Market Procedure for Reserve Capacity (Market Procedure) describes the information required from Market Participants in their CRC applications.

For the IMO to be able to conduct a fair and equitable assessment of all applications for CRC, the information provided must be of a high quality and detail. This is especially important for new or proposed projects, where there is no operational data available to verify the statements made in the application.

Issue

In many occasions the information supplied by potential capacity providers in their CRC applications to the IMO has been sparse, with insufficient detail, forcing the IMO to either request further information from the applicant or assess the application without the preferred information.

Proposal

To ensure that an appropriate amount of CRC for each Facility is set, and allow the IMO to determine the viability of a new project and its prospects of proceeding through to completion before the start of the relevant Capacity Year, the IMO proposes a number of amendments to the Market Procedure.

The IMO also proposes amendments to the Market Procedure (Section 1.9) to:

- specify the steps for applying for and approving Early Certified Reserve Capacity. This will ensure consistency with the Rule Change Proposal: Early Certified Reserve Capacity (RC_2009_10); and
- improve the integrity of the Market Procedure by including a number of minor and typographical amendments.

An overview of the specific proposed amendments to assist with the IMO's decision to assign CRC to a Facility is presented in more detail below:

Financing information

Currently an applicant is not required to provide details of its financing status at the time of application. The IMO proposes to amend the Market Procedure (Appendix 1) to include the requirement that this information is provided as part of their annual application for CRC, along with any financing applications made and the status of these applications.

Temperature Dependence information

Currently an applicant is not required to provide detailed temperature dependence curves or engineering specifications of its thermal efficiency for a new Facility. Some applicants only provide one or two data points from which the IMO has to determine a theoretical heat rate curve. There is also no requirement for the provided data to be validated by an external party.

To guide the IMO in determining appropriate requirements around:

- the application of power factor generator ratings;
- the validity of using a 0.1°C gradient calculation of the temperature dependence of a generation facility; and
- the physical limits on the provision of reactive power and reactive power control,

the IMO sought the advice of Sinclair Knight Merz (SKM). A copy of the outcomes and SKM's recommendations has been provided as Appendix 1 to this proposal.

Based on the advice of SKM and following discussion of its recommendations at the 22 April 2010, IMO Procedure Change and Development Working Group (Working Group) meeting, it was agreed that the Market Procedure (Appendix 1) will be updated to

- require the applicant to provide full heat rate curves in 0.1 degree intervals verified from either the manufacturer of the facility or an independent engineering firm;
- specify that heat rate curves may be interpolated from verified 5 degree intervals; and
- specify that heat rate curves will also need to be provided when a Facility has undergone a capacity upgrade, including installation of foggers, and applies to have its CRC increased to reflect the upgrade.

The IMO considers that these amendments will allow it to better assess the heat rate for a proposed Facility and be provided confidence that the data is based on realistic assumptions.

Environmental Approval information

A proposed Facility is currently only required to provide evidence supporting its expectations that any necessary environmental approvals will be granted in time. An applicant is not required to specify which environmental approvals are required and the status of each one. Lack of adequate approvals has delayed projects in the past, resulting in an inability for a proposed Facility to meet its capacity obligations on time. There have also been issues with incomplete environmental applications causing project delays or cancellations, for example omitting to apply for noise approval in noise restricted areas.

To reduce the risk of incomplete environmental approvals causing projects with CRC to fail later in the process the IMO proposes to specify in the Appendix of the Market Procedure that the applicant includes (but is not limited to):

- details and the status of submissions made to relevant Government Instrumentalities; or
- details relating to any submissions provided by the applicants appointed environmental contractor.

The IMO considers that this will allow it to make a fair and true assessment of the application.

The IMO notes that the Market Procedure has not been updated to reflect the new IMO format resulting from the IMO's current Market Procedure Project, given the current wider review of the certification process being undertaken by the IMO (for more information see PRC_2010_14, presented as part of the September 2010 MAC meeting papers¹). It is anticipated that further changes to the Market Procedure resulting from the outcomes of the IMO's wider review will be formally submitted in the Procedure Change Process during 2011.

The proposed amended Market Procedure was discussed by the Working Group at both the 25 March 2009 and 22 April 2010 meetings². Minutes from the meetings are available on the following webpage: <http://www.imowa.com.au/IMO-Procedures-Working-Group>

2. Provide the wording of the Procedure

The proposed amended Market Procedure for Certification of Reserve Capacity is provided as an attachment to this proposal.

¹ www.imowa.com.au/MAC_31

² Note that the amendments proposed under PC_2010_06 were previously proposed under PC_2009_04 (now discontinued) which was discussed by the Working Group.