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Changes to Market Procedure for Supplementary Reserve Capacity

Submitted by

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Submission

Clause 2.10.7 of the Wholesale Electricity Market Amending Rules provides that any person may make a submission for a Procedure Change Proposal by filling in this Procedure Change Submission form.

Submissions for Procedure Changes that relate to the Power System Operation Procedures should be submitted to:

Western Power Networks - System Management Division

Attn: Alistair Butcher, Market Strategic Development Manager
GPO Box L921
Perth WA 6842
Fax: (08) 9427 4228
Email: market.development@westernpower.com.au

Submissions for Procedure Changes that relate to IMO Market Procedures should be submitted to:

Independent Market Operator

Attn: Manager Market Administration
PO Box 7096
Cloisters Square, Perth, WA 6850
Fax: (08) 9254 4399
Email: marketadmin@imowa.com.au

1. Please provide your views on the Procedure Change Proposal, including any objections or suggested revisions:

LGP is a member of the IMO's Procedure Review Committee and supports the general thrust of the proposed changes. However, on considering the final version of the proposal document, we make the following comments and suggestions:

- a) The SRC procurement applies only to the Hot Season via the Market Rules. We consider this focus to be misplaced via the facts that i) Capacity is strongly incentivised to be available during the Hot Season and ii) contingency events, such as the "Varanus Island Incident" can occur at any time and potential take-out generators en-mass, be via fuel availability or network failure etc.
- b) Further to a), the Market Rules limit the procurement to 12 weeks on the presumption of any calls for SRC being confined to the Hot Season. This seems to be an unnecessary and potentially counter-productive impost.
- c) The proposal is tied to an apparently subjective 12 week decision point via the Market Rules. We suggest including in the procedure a "trigger event" that will require the IMO to assess the need for SRC and better define the time to potential requirement. This event would presumably be related to a form of PASA study for a time period intermediate between the STPASA and MTPASA.
- d) The nature of the required tender responses from potential participants is unclear. Presumably, they are to be asked to bid on price, rather than merely to 'take or leave' a price dictated by the IMO. On this basis, we perceive conflict in the Availability Price, Activation Price and Maximum Contract Value defined in clause 2.3.1 a), b) and c) versus clause 2.3.1 d), clause 2.3.2 and clause 2.4.3 j). We would further suggest clarification of the meaning of "availability price" and "activation price" as these phrases are apparently used to mean different things in the above clauses (and clauses 2.4.6 and 2.5.2
- e) In clause 2.6.2 e), we are concerned that the consequences of failing to perform the contract appear to unreasonably enrich a defaulting provider and compromise system security. Specifically, it seems they will be paid an Availability Payment of one year's capacity credits and penalised at only the hourly rate for non-performance.
- f) Clause 2.6.4: we suggest adding the word "reasonable" to make the clause read; Despite the existence of the standard form Supplementary Capacity Contract, the IMO may enter into Supplementary Capacity Contracts in any form it considers *reasonably* appropriate.
- g) Clause 2.7.2. We suggest requiring the IMO to provide to System Management a Dispatch Merit Order and Operating Guidelines rather than just prohibiting notification of the Activation Price and Availability Price.

2. Please provide an assessment whether the Procedure Change Proposal is consistent with the Market Objectives and the Wholesale Electricity Market Amending Rules.

Conditional on proper review of our comments and suggestions, LGP considers the proposal to be consistent with the Market Objectives and Amending Rules.

- 3. Please indicate if the Procedure Change Proposal will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.**

LGP is only marginally affected by the Rule Changes.

- 4. Please indicate the time required for your organisation to implement the changes, should they be accepted as proposed.**

Not applicable.