
Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2010_01 Annual Review of the Margin Values

Submitted by

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Submission

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

Background

Market Rule 3.13.3 specifies the initial values for the Margin_Peak and Margin_Off-Peak parameters that are used to calculate Ancillary Service availability costs and Spinning Reserve Cost Share.

Market Rule 3.13.3A requires that the Economic Regulation Authority (Authority) then undertake an assessment each Review Period (i.e. every three years) to determine the values for these two parameters, taking into account the Wholesale Market Objectives and the methodology set out in the Market Rule.

Rule Change Proposal

RC_2010_01 would amend the Market Rules so that the Authority would be required to undertake an assessment to determine the values for these two parameters each year.

Alinta's views

While Alinta supports the general principal behind RC_2010_01, it does not consider that it is either necessary or desirable to amend the Market Rules as proposed by the rule change proposal at this time.

The need for changes to the current Market Rules to facilitate support broader participation in the provision of Ancillary Services was one of the key recommendations of the August 2009 Verve Energy Review (aka the Oates Review).

That the current Market Rules are unlikely to support the economically efficient provision of Ancillary Services was further highlighted by the failure of Western Power's request for expressions of interest for the provision of Load Following Ancillary Services issued on 3 December 2009.

The IMO's Oates Review Implementation Concept Paper No.1 identified a number of alternative market design options that were considered to better achieve the recommendations of the Oates Review relative to the current Market Rules, including broader participation in the provision of Ancillary Services.

In the case of the 'Enhanced Hybrid' and the 'Enhanced Hybrid + re-nomination' (Options A1 and A2), it was recognised that ancillary services, and in particular Balancing Services, provided by Verve Energy and/or other Market Generators should be appropriately compensated.

The remaining two alternative market design options, 'Net Dispatch' and the 'Gross Dispatch' (Options B and C), might instead result in System Management dispatching generation facilities to provide Ancillary Services in accordance with an 'economic dispatch order'.

Given the IMO has indicated that a full detailed design is to be finalised by mid-2010, and that drafting of amending rules is to take place between July 2010 and September 2010, the amendments to the Market Rules contemplated by RC_2010_01 appear both premature and unnecessary.

This is even more so given:

- the Authority has only recently determined revised values for the Margin_Peak and Margin_Off-Peak parameters; and
- it appears unlikely that the amendments contemplated by RC_2010_01 would result in the Authority reviewing the values for the Margin_Peak and Margin_Off-Peak parameters that applied for a year earlier than 2011-12.

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

Market Rule 2.4.2 states that the IMO must not make Amending Rules unless it is satisfied that the Market Rules, as proposed to be amended or replaced, are consistent with the Wholesale Market Objectives. The Wholesale Market Objectives are as follows.

- (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.
- (e) To encourage the taking of measures to manage the amount of electricity used and when it is used.

Alinta considers that the IMO cannot be satisfied that RC_2010_0a is consistent with the Wholesale Market Objectives, and in any event is likely to be inconsistent with the Wholesale Market Objectives.

In particular, the amendments to the Market Rules contemplated by RC_2010_01 are unlikely to:

- promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors; or
- minimise the long-term cost of electricity supplied to customers from the South West interconnected system

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.

The changes to the Market Rules contemplated by RC_2010_01 would not require Alinta to change its IT or business systems, and hence there are no IT or business costs associated with the rule change proposal.

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

The changes to the Market Rules contemplated by RC_2010_01 would not require Alinta to change its IT or business systems, and hence there is no specific period of time that would be required to implement the changes arising from the rule change proposal.