
Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2010_03 Calculation of Net STEM Shortfall

Submitted by

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Submission

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

Background

A Net STEM Shortfall occurs where the amount of capacity supplied by the 'generation system' of a Market Participant is less than the amount of Capacity Credits held by that 'generation system' (after accounting for Forced Outages).

It has been identified that the calculation of a Net STEM Shortfall in accordance with the equation specified in Market Rule 4.26.2 has the potential to adversely impact on Market Participants whose 'generation system' includes Curtailable Loads.

It has also been suggested that Market Rule 4.26.2 potentially provides an unintended advantage to Market Participants whose 'generation system' includes Intermittent Facilities.

Rule Change Proposal

RC_2010_03 would amend the Market Rules to remove Curtailable Loads from the equation specified in Market Rule 4.26.2, and instead rely on existing Market Rule 4.26.2D to calculate the Net STEM Shortfall in respect of Curtailable Loads.

The IMO has also proposed a number of further minor amendments of the Market Rules for clarity.

Alinta's views

Alinta supports RC_2010_03.

The interim solution proposed by RC_2010_03 is clearly necessary to rectify a manifest error in the Market Rules. That the outcome in relation to Curtailable Loads is a manifest error appears self evident.

At this stage, Alinta is not persuaded that the outcome of the current Market Rules, which may provide a benefit to Market Participants with a mixture of schedulable generators and Intermittent Loads, is a manifest error.

Market Rule 4.26.2 is clearly intended to operate across all facilities operated by a Market Participant. While this may give some benefit to some generators depending on their facility portfolio, it is unclear that this is necessarily unintended or inappropriate.

Alinta considers that prior to any further future amendments to Market Rule 4.26.2, consideration will need to be given to whether the benefit that might be received by a Market Participant resulted in an actual cost to the market as a whole (or vice versa). That is, do the Market Rules simply allow a Market Participant to avoid a cost in a situation where it has satisfied its obligations to the market, albeit in a different manner than originally intended. If the market is not adversely impacted by the operation of Market Rule 4.26.2 (as amended by RC_2010_03), then it should not be considered to be a manifest error.

Market Rule 4.26.2 potentially provides an incentive to invest in intermittent generation as part of a diversified generation portfolio. It is not clear that it is not the intent of the current Market Rule to provide such an incentive, and therefore it is also not clear that the potential outcome of Market Rule 4.26.2 (as amended by RC_2010_03) is either unintended or inappropriate. Again, what should be considered is whether the market is adversely impacted by the operation of the current Market Rule 4.26.2.

Nevertheless, Alinta agrees that irrespective of the intent behind Market Rule 4.26.2 when the Market Rules were developed, it would be appropriate that the outcomes associated with Market Rule 4.26.2 be reviewed and assessed against the Market Objectives.

For this reason, the longer term solutions that were identified in the IMO's Concept Paper (CP_2010_01) should also be assessed against the Market Objectives.

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 can be satisfied that RC_2010_03 is consistent with the Wholesale Market Objectives, and in any event is not likely to be inconsistent with the Wholesale Market Objectives.

In particular, the amendments to the Market Rules contemplated by RC_2010_03 are likely to:

- encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors; and
- 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_03 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_03 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.