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**Wholesale Electricity Market  
Rule Change Proposal Submission Form**

**RC\_2010\_03 Calculation of Net STEM Shortfall**

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**Submitted by**

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**Submission**

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

**Background**

On 2 March 2010 the Independent Market Operator (IMO) proposed changes to the Net STEM Shortfall calculations contained in clause 4.26.2 of the Market Rules.

It is Perth Energy's understanding that the issue with the calculations as they are currently reflected in the Market Rules could be summarised as:

- Portfolio's with multiple scheduled generators where at least one generator suffers a forced outage whilst another generator is dispatched below its individual Reserve Capacity Obligation Quantity (RCOQ) Level will have their Net STEM Shortfall inflated by the amount of capacity that was made available but not scheduled,
- Portfolios that contain either Curtailable Loads or Interruptible Loads will have their NET Stem Shortfall inflated by the value of the Reserve Capacity Obligation Quantity (RCOQ) of those loads, and
- Portfolios that contain intermittent generators will have any Net STEM Shortfall that is calculated across the portfolio offset by any metered output from the intermittent generators.

These effects only apply in multi-facility portfolios.

## **Change Proposal**

The IMO has proposed to change clause 4.26.2 of the Market Rules to address the issue related to the inclusion of Curtailable Loads in multi-facility portfolios. The IMO's proposed solution is to exclude Curtailable Loads from contributing to the portfolio's Reserve Capacity Obligation Quantity (RCOQ).

The IMO has also proposed to make minor amendments to 4.26.2E to clarify that the Capacity Cost Refund is comprised of both the Net STEM Shortfall and the Capacity Shortfall.

## **Perth Energy's Views**

Perth Energy agrees that the issue pertaining to Curtailable Loads identified above should be addressed as a matter of urgency for the following reasons:

- The Market Rules as currently written appear to inadvertently discriminate between single and multi-facility portfolios in that the outcome of the NET Stem Shortfall calculation is different depending on the construction of the Market Participant's portfolio in relation to the number of facilities and types of facilities included.
- The current Market Rules clearly provides a significant disincentive to registering a Curtailable Load or an Interruptible Load as all Capacity Credits associated with these facilities will over a year be repaid in the form of Capacity Credit refunds as a result of the shortcoming of the current formulation of the NET Stem Shortfall calculation.

Perth Energy agrees with the IMO's assessment to progress this rule change as a Fast Track change as it clearly pertains to a manifest error. Perth Energy also considers the effectiveness of the market may be impacted without the quick implementation of the proposed change as there will continue to be a strong disincentive to register Curtailable Loads until the current shortcomings of the Market Rules have been addressed.

In Perth Energy's view the beneficial impact of intermittent generators' output on a Market Participant's total NET Stem Shortfall calculation is not warranted. Intermittent generators are allocated capacity credits and have at the same time a zero value for their Reserve Capacity Obligation Quantity (RCOQ) meaning in effect that no Capacity Credit refunds apply to intermittent generators. They also, in general, incur no penalties for not following a predetermined resource plan. Continuing to allow intermittent generators to offset NET Stem Shortfalls created by other facilities in a portfolio will in Perth Energy's view continue to provide portfolios with intermittent generators with an undue competitive advantage.

Perth Energy would welcome a further change to the Market Rules to address the remaining issues with clause 4.26.2, including the issue of the treatment of intermittent generators.

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

Perth Energy considers that addressing the issue identified by removing the unintended consequences in the current calculation of the NET Stem Shortfall would further facilitate achievement of the Market Objectives<sup>1</sup>, and in particular Market Objective (a).

Perth Energy does not consider the change proposal impacts on the achievement of Market Objectives (b), (c), (d) and (e).

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**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 impact for Perth Energy.

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

Perth Energy does not require any lead time to implement the change.

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<sup>1</sup> The objectives of the market 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.