
Wholesale Electricity Market Rule Change Proposal Submission Form

**RC_2011_10 Competitive Balancing and Load Following
Market**

Submitted by

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Submission

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

Background

Under the current Wholesale Electricity Market Rules, Verve Energy is the sole provider of 'balancing' energy (i.e. energy to meet deviations in aggregate electricity generation from that forecast in generators' resource plans and deviations in aggregate load from that forecast) and the default provider of ancillary services in the South West Interconnected System (SWIS).

The Market Rules as proposed to be amended by RC_2011_10 would establish a mandatory market mechanism for the economic dispatch of (most) generation facilities (i.e. dispatch predominantly based on price).

In addition, RC_2011_10 would also establish a voluntary market mechanism for the provision by certain generation facilities of Load Following Ancillary Services (LFAS). Verve would remain the default supplier of LFAS and other ancillary services.

Alinta's views

Alinta supports the continued evolution of the Western Australian Wholesale Electricity Market (WEM) in a manner consistent with the Market Objectives. In particular, Alinta supports amendments to the Market Rules that promote the economic efficiency of the WEM, provided the security of supply and the reliability of the system are not compromised.

In principle, Alinta considers that markets that are effectively competitive are the most appropriate means through which to promote the economic efficiency of the WEM. The proposed changes to the Market Rules contemplated by RC_2011_10 appear to represent a step in that direction.

In reviewing the individual amendments to the Market Rules proposed by RC_2011_10, Alinta has identified a number of issues on which it would like clarification from the IMO. It will submit these issues separately to the IMO. At this stage, it is difficult to determine the materiality of those and/or if other matters may arise.

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.

RC_2011_10 indicates that the manner in which System Management is to issue Dispatch Instructions or Operating Instructions to Market Participants will be set out in a Power System Operating Procedure.

System Management has indicated that, due to the frequency and anticipated number of Instructions required to be issued under the proposed arrangements, all communication of such Instructions will be via electronic means. This contrasts with the current arrangements where such Instructions are generally communicated from System Management's Control Room to a Participant's Plant Facility Control Room via telephone.

The changes to the Market Rules contemplated by RC_2011_10 will require Alinta to make significant changes to its operational processes, and its supporting IT and business systems in order to participate in the mandatory Balancing Market and/or voluntary LFAS Market.

While System Management provided some initial information on the proposed high level design for these communication arrangements on 21 October 2011, it also indicated that its requirements will be further progressed as it moves into the detailed design stage during the coming months, including defining the content and structure of communication transactions between it and Market Participants.

Consequently, it is difficult at this time to provide an estimate of the potential costs that may be incurred by Alinta with any reasonable degree of accuracy, although these are expected to be material.

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

As noted above, the changes to the Market Rules contemplated by RC_2011_10 would require Alinta to make significant changes to its operational processes, and its supporting IT and business systems in order to participate in the mandatory Balancing Market and/or voluntary LFAS Market.

Alinta has already sought external consultancy support to assist it in identifying the necessary changes to its operational processes, and its supporting IT and business systems in order to participate in the mandatory Balancing Market and/or voluntary LFAS Market. However, the advice Alinta received at the time was that such a task was difficult to proceed with until System Management has completed its detailed design for the manner in which it intends to issue Dispatch Instructions or Operating Instructions to Market Participants.

Provided the detailed design is available very early 2012, Alinta expects it would be able to meet the requirements for participating in the mandatory Balancing Market by the end of the 'transition' period on 5 December 2012.