

## Wholesale Electricity Market Rule Change Proposal Submission Form

### RC\_2012\_08 Constrained on and off Prices for Non-Scheduled Generators

#### Submitted by

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#### Submission

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

#### Background

On 1 July 2012 RC\_2011\_10 Competitive Balancing and Load Following Market will take effect and introduce a number of changes to the operation of the Wholesale Electricity Market (WEM). In particular, the changes will allow for participation by independent power producers (IPPs) in the real time balancing of energy requirements, a role that has so far been reserve for Verve Energy.

With the introduction of the new balancing market, a balancing merit order will be constructed based on participants bid prices to increase generation in real time to respond to balancing requirements. As is usual in all power systems, System Management may from time to time have to deviate from the economically dictated balancing merit order and dispatch generators out of merit. This is normally referred to as generators being either “constrained on” (in the case where a generator that has bid in at a price that is higher than the prevailing balancing price is dispatched) or “constrained off” (in the case where a generator that has bid in at a price that is lower than the prevailing balancing price is asked to turn down).

Generators that are either constrained on or constrained off will under the changes introduced by RC\_2011\_10 receive additional payments to compensate for the difference between their bid prices and the balancing price when being constrained on or off.

The Independent Market Operator has identified that the new clauses 6.17.3A(b) and 6.17.4A(b) which contain the wording relating to the constrained on and off payment calculations for Non-Scheduled Generators are erroneous. If retained, the current wording would lead to Non-Scheduled Generators being required to pay the IMO compensation rather than receiving compensation when constrained on or off.

## **Change Proposal**

The IMO submitted Rule Change Proposal RC\_2012\_08 “Constrained on and off Prices for Non-Scheduled Generators” on 1 June 2012.

The IMO proposed to amend the Market Rules to address the issue described above by amending clauses 6.17.3A(b) and 6.17.4A(b) by reordering the terms in the subtractions that are described in the clauses so that Non-Scheduled Generators are treated in the same way as Scheduled Generators and receive compensation when being constrained on or off.

The IMO also proposed to progress RC\_2012\_08 as a Fast Track Rule Change as it seeks to correct a manifest error.

## **Perth Energy’s Views**

Perth Energy supports the IMO’s Rule Change Proposal.

Perth Energy agrees that the error that has been identified is clearly a manifest error that was not intended to be part of the Market Rules. If left uncorrected it could have a serious impact on the operation of the WEM and would restrict the participation of Non-Scheduled Generators in balancing.

Perth Energy therefore also agrees with the IMO’s proposal to progress the Rule Change Proposal as a Fast Track Rule Change Proposal.

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

Perth Energy considers that the proposed changes to the Market Rules would remove a manifest error from the Market Rules which would otherwise have an unreasonable and discriminatory impact on Non-Scheduled Generators. Rectifying the obvious error would in Perth Energy’s opinion therefore clearly facilitate achievement of Market Objective<sup>1</sup> (c) relating to avoiding discrimination against particular energy options or technologies.

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<sup>1</sup> The objectives of the market are:

Perth Energy also considers that if left unchanged there would be harmful impacts on the efficiency of providing balancing services as Non-Scheduled Generators would not be able to compete for the provision of these services in a similar way that Scheduled Generators would be able to do. That could lead to some (efficient) Non-Scheduled Generators excluding themselves from balancing to the detriment of the market. Perth Energy therefore considers the proposed changes would also better facilitate achievement of Market Objective (a) relating to economic efficiency and system security.

Perth Energy considers that by addressing the current issues relating to discrimination and efficiency improved competition in the provision of balancing services should also result when Non-Scheduled Generators are provided an equal opportunity to compete for these services. This will help to better facilitate achievement of Market Objective (b) relating to encouraging competition.

Finally, Perth Energy considers that the combination of the positive impacts flowing from the issues identified above in relation to Market Objectives (a), (b), and (c) would also lead to a downward pressure on total balancing costs over time. The proposed changes would therefore also help to better facilitate achievement of Market Objective (d) relating to minimising the long term cost of electricity supply.

Perth Energy has not identified any detrimental impacts on the remaining Market Objective.

**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.**

Perth Energy will not be impacted by the proposed changes.

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

Perth Energy will not require any lead time to implement the proposed changes.

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- (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.