
Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2012_15 Four Month Commissioning Test Period for New Generating Systems

Submitted by

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Submission

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

Background

Rule Change Proposal RC 2009 08 "Updates to Commissioning Provisions" introduced a new restriction into the Market Rules on commissioning new generators. With the implementation of RC 2009 08 newly commissioning generators were allowed a maximum of four months for commissioning activities. Generators that did not complete their commissioning programme within four months were required to schedule the remaining commissioning programme by bidding their units into the Wholesale Electricity Market (WEM) and thereby being subject to all the rules that apply to generators in the market including at the time the upwards and downwards adjustments to the balancing price for performance above or below the Resource Plan of the generator. During the commissioning period generators were not exposed to Upward Deviation Administered Price (UDAP) and Downwards Deviation Administered Price (DDAP) for deviations but were instead paid the Marginal Cost Administered Price (MCAP).

The changes introduced by RC 2009 08 effectively allowed generators to continue to commission beyond a 4 month period provided that those generators were exposed to the additional price incentives inherent in the UDAP and the DDAP.

On 1 July 2012 a new balancing market was implemented in the WEM with the introduction of RC 2011 10 “Competitive Balancing and Load Following Market”. This change saw UDAP and DDAP being replaced by a single marginal balancing price applying equally to deviations away from their Net Contract Positions. In addition, RC 2011 10 also specified that commissioning activities could only occur under an approved Commissioning Test to ensure power system security and reliability can be maintained and transparency be provided to the wider WEM of these commissioning activities.

As a consequence of the combination of changes introduced by RC 2009 08 and RC 2011 10 new generators that fail to complete their commissioning programme within four months currently do not have any ability to finish their commissioning programmes.

Change Proposal

The Independent Market Operator (IMO) submitted Rule Change Proposal 2012 15 “Four Month Commissioning Test Period for New Generating Systems” on 2 October 2012.

The IMO proposed to remove clause 3.21A.7(c) and thereby removing the four month restriction on commissioning activities for new generators entering the WEM. With the proposed changes new generators can continue to apply for Commissioning Test Plans and System Management can approve them where appropriate to allow the new generator to finish its commissioning schedule and prove its new facility.

The IMO proposed to use the Fast Track rule change process for this Rule Change Proposal as it addresses a manifest error in the Market Rules.

Perth Energy’s Views

Perth Energy supports the IMO’s Rule Change Proposal. The current four month restriction on new generators was clearly brought in to ensure that new generators that were late in their commissioning programme were not afforded an undue advantage in being allowed to be excused from exposure to DDAP and UDAP for a prolonged commissioning period.

As DDAP and UDAP are no longer features of the WEM there is no longer a requirement from an equity point of view to enforce a time restriction on the commissioning period. Perth Energy notes that newly commissioning generators will continue to be exposed to Capacity Credit refunds for late commissioning as is currently also the case.

Furthermore, with the new requirement introduced by RC 2011 10 that all commissioning activities be conducted only after an approved Commissioning Test there is a very real risk that new generators that fail to perform all of its commissioning programme within four months choose to enter the WEM without having properly tested and calibrated its new power station. This could significantly jeopardise system security and stability. It could also jeopardise the economic investment in the generation system leading to profound impacts on investors and ultimately investor confidence. This in turn would translate into increased costs to end users in the longer term as the risk attached to generation investment would increase significantly.

Perth Energy believes that the proposed changes effectively addresses the issues identified and would allow new generators to complete their commissioning schedule safely.

Finally, Perth Energy is also of the view that the clearly unintended consequences stemming from the changes introduced by RC 2011 10 with regards to the ability of new generators to commission their units beyond the four month window represent a manifest error in the Market Rules. It is therefore appropriate to progress this Rule Change Proposal under the Fast Track regime to ensure this error is remedied as quickly as possible.

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 allow new generators sufficient time to safely commission their facilities. This would positively impact on the achievement of Market Objective (a)¹ relating to the safe production of electricity.

Perth Energy also considers that Market Objective (d) relating to minimising the long term cost of energy will be positively impacted as the proposed changes would significantly reduce the risk to investors in new generation capacity and thereby reduce the long term cost of generation in the WEM.

Perth Energy has not identified any impacts on the other Market Objectives.

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 welcomes the proposed changes which will be necessary for any future generation projects that we may wish to commission within the WEM.

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.

¹ 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.