

# Reserve Capacity Mechanism - Manifest Errors 2017 (RC\_2017\_01)

Final Rule Change Report

26 May 2017

## Executive Summary

On 20 April 2017 the Public Utilities Office submitted a Rule Change Proposal to address three manifest errors in the Market Rules arising from the *Electricity Industry (Commencement of Electricity Industry (Wholesale Electricity Market) Amendment Regulations) Order 2016* (Order) that was gazetted on 31 May 2016.

The Rule Change Panel progressed the proposal using the Fast Track Rule Change Process and received two submissions (from Synergy and AEMO) during the consultation period. Both submissions were supportive of the proposed Amending Rules. Synergy proposed two further minor amendments which are consistent with the Rule Change Proposal. The Rule Change Panel has therefore incorporated the further amendments proposed by Synergy into the Amending Rules.

The Rule Change Panel considers that the proposed amendments, as modified after the consultation period, correct manifest errors in the Market Rules and are consistent with the Wholesale Market Objectives.

The Rule Change Panel has not identified any costs or any practicality issues associated with the implementation of this proposal.

The Rule Change Panel's decision is to accept the Rule Change Proposal as modified following the consultation period. The Amending Rules will commence as follows:

- amendments to clause 4.20.5B at 8:00am on 31 May 2017; and
- amendments to clauses 4.26.1, 4.26.1C and 4.26.6 at 8:00am on 1 October 2017, immediately after the commencement of the Amending Rules set out in Schedule B Part 3 of the Order.

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## 1. Rule Change Process and Timeline

On 20 April 2017 the Public Utilities Office submitted a Rule Change Proposal seeking amendments to clause 4.20.5B of the Market Rules and to clauses 4.26.1C and 4.26.6 that will be created on 1 October 2017 by the commencement of the Amending Rules set out in Schedule B Part 3 of the *Electricity Industry (Commencement of Electricity Industry (Wholesale Electricity Market) Amendment Regulations) Order 2016* (Order).

This proposal is being processed using the Fast Track Rule Change Process, described in section 2.6 of the Market Rules.

Based on the submissions received, the Rule Change Panel is also amending clause 4.26.1 of the Market Rules to improve consistency with the proposed amendments to clauses 4.26.1C and 4.26.6.

The timelines for progressing this proposal are:



\* amendments to clause 4.20.5B of the Market Rules at 8:00am on 31 May 2017  
amendments to clauses 4.26.1, 4.26.1C and 4.26.6 of the Market Rules at 8:00am on 1 October 2017, immediately after the commencement of the Amending Rules set out in Schedule B Part 3 of the Order

The Rule Change Panel's final decision is to accept the Rule Change Proposal as modified following the consultation period. The detailed reasons for the Rule Change Panel's decision are set out in section 5 of this report.

All documents related to this Rule Change Proposal can be found on the Rule Change Panel's website: <https://www.erawa.com.au/rule-change-panel>.

## 2. Proposed Amendments

### 2.1 The Rule Change Proposal

The Rule Change Proposal addresses three alleged manifest errors arising from the Order that was gazetted on 31 May 2016.

#### Current Market Rules

Under the current Market Rules AEMO is unable to assign Capacity Credits to Market Participants because the Order has omitted the provision specifying how AEMO must determine the amount of Capacity Credits to be allocated in clause 4.20.5B of the Market Rules. The Public Utilities Office proposed to reinstate the exact text of the omitted provision.

## Market Rules Commencing on 1 October 2017

With the commencement of Amending Rules set out in Schedule B Part 3 of the Order on 1 October 2017 the new clauses 4.26.1C and 4.26.6 of the Market Rules will refer to System Management notifying or providing AEMO with Outage details under clause 7.13.1A(b). These references are incorrect as clause 7.13.1A(b) requires System Management to “record” these details rather than provide them to any party. The PUO proposes to amend the wording of the two references to reflect the System Management’s actual obligation under clause 7.13.1A(b). The PUO proposes to commence the necessary amendments on 1 October 2017, immediately after the commencement of Schedule B Part 3.

For full details of the Rule Change Proposal please refer to the Rule Change Panel’s website: <https://www.erawa.com.au/rule-change-panel>.

## **2.2 The Rule Change Panel’s Initial Assessment of the Proposal**

The Rule Change Panel decided to progress the Rule Change Proposal on the basis that its preliminary assessment indicated that the proposal is consistent with the Wholesale Market Objectives.

The Rule Change Panel decided to progress the Rule Change Proposal using the Fast Track Rule Change Process, described in section 2.6 of the Market Rules, on the grounds that the proposed changes are required to correct manifest errors and therefore the proposal satisfies the criterion in clauses 2.5.9(b) of the Market Rules.

- 2.5.9. *The Rule Change Panel may subject a Rule Change Proposal to the Fast Track Rule Change Process if, in its opinion, the Rule Change Proposal:*
- (a) *is of a minor or procedural nature; or*
  - (b) *is required to correct a manifest error; or*
  - (c) *is urgently required and is essential for the safe, effective and reliable operation of the market or the SWIS.*

## **3. Consultation**

### **3.1 The Market Advisory Committee**

The Rule Change Proposal was noted at the Market Advisory Committee (MAC) meeting on 1 May 2017. No comments were made.

### **3.2 Submissions Received During the Consultation Period**

The consultation period for this Rule Change Proposal was held between 28 April 2017 and 19 May 2017.

The Rule Change Panel received a request to be consulted from Synergy on 3 May 2017. Synergy provided a formal submission on 18 May 2017. One out of session submission was received from AEMO. Both submissions were supportive of the proposed Amending Rules.

Synergy proposed to also amend clause 4.26.1 to correct two manifest errors that arise with the commencement of Schedule B Part 3 and are similar to the ones in clauses 4.26.1C and 4.26.6. The Rule Change Panel considers that these proposed further amendments are

consistent with the Rule Change Proposal and has therefore incorporated them into the Amending Rules.

A copy of the submissions in full is available on the Rule Change Panel's website <https://www.erawa.com.au/rule-change-panel>.

### **3.3 The Rule Change Panel's Response to Submissions Received During the Consultation Period**

The Rule Change Panel considers that the proposed further amendments to clause 4.26.1 are consistent with the Rule Change Proposal. The Rule Change Panel has therefore incorporated the further amendments into the Amending Rules.

### **3.4 Public Forums and Workshops**

No public forums or workshops were held in regard to this Rule Change Proposal.

## **4. The Rule Change Panel's Final Assessment**

In preparing its Final Rule Change Report, the Rule Change Panel must assess the Rule Change Proposal in light of clauses 2.4.2 and 2.4.3 of the Market Rules. Clause 2.4.2 outlines that the Rule Change Panel "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".

Additionally, clause 2.4.3 states, when deciding whether to make Amending Rules, the Rule Change Panel must have regard to the following:

- any applicable statement of policy principles the Minister has issued to the Rule Change Panel under clause 2.5.2 of the Market Rules;
  - the practicality and cost of implementing the proposal;
  - the views expressed in submissions and by the MAC; and
  - any technical studies that the Rule Change Panel considers necessary to assist in assessing the Rule Change Proposal.

The Rule Change Panel notes that there has not been any applicable statement of policy principles from the Minister in respect of this Rule Change nor has it commissioned a technical review in respect of this Rule Change Proposal.

The Rule Change Panel's assessment is outlined in the following sections.

### **4.1 Additional Amendments to the Amending Rules**

Following the consultation period the Rule Change Panel made some additional changes to the proposed Amending Rules to correct two manifest errors in clause 4.26.1 of the Market Rules that are the same as proposed to be corrected in clause 4.26.6 of the Market Rules.

The additional changes are shown below (~~deleted text~~, added text):

- 4.26.1. If a Market Participant holding Capacity Credits associated with a Facility fails to comply with its Reserve Capacity Obligations applicable to any given Trading

Interval then the Market Participant must pay a refund to AEMO calculated in accordance with the following provisions.

- (a) The Trading Interval Refund Rate for a Facility  $f$  in the Trading Interval  $t$  is determined as follows—

$$\text{Trading Interval Refund Rate } (f, t) = \text{RF}(f, t) \times Y$$

where—

...

...

- (e) For a Facility  $f$  in the Trading Interval  $t$ ,  $\text{Spare}(f,t)$  is determined as follows—

- i. for each Scheduled Generator, the greater of zero and—
1. the MW quantity of Capacity Credits; less
  2. the MW quantity of Outage ~~provided~~ as recorded under clause 7.13.1A(b); less
  3. the Sent Out Metered Schedule multiplied by two so as to be a MW quantity;

...

- (f) Subject to clause 4.26.1(g), the minimum refund factor  $\text{RF floor}(f,t)$  in the Trading Interval  $t$  is determined as follows—

$$\text{RF floor}(f, t) = 1 - 0.75 \times \text{Dispatchable}(f, t)$$

where—

- i.  $\text{Dispatchable}(f,t)$  for a Facility  $f$  in the Trading Interval  $t$  is its portion of capacity which is not subject to a Forced Outage over the 4,320 previous Trading Intervals  $pt$  prior to and including the Trading Interval  $t$  and is determined as follows—

$$\text{Dispatchable}(f, t) = 1 - \left( \frac{\sum_{pt \in PT} \text{FO}(f, pt)}{\sum_{pt \in PT} \text{CC}(f, pt)} \right)$$

where—

1.  $PT$  is the set of 4,320 Trading Intervals immediately prior to and including the Trading Interval  $t$  and  $pt$  is a Trading Interval within that set;
2.  $\text{FO}(f,pt)$  is the quantity of Forced Outage for a Facility  $f$  in the Trading Interval  $pt$ , ~~provided~~ as recorded in accordance with clause 7.13.1A(b); and

...

...

## 4.2 Wholesale Market Objectives

The Rule Change Panel considers that the proposed amendments will correct a manifest error in the Market Rules and the four future manifest errors in the Market Rules and are consistent with the Wholesale Market Objectives.

## 4.3 Practicality and Cost of Implementation

### 4.3.1 Cost

The proposed amendments will not result in any additional costs for AEMO or Market Participants.

### 4.3.2 Practicality

The Rule Change Panel has not identified any issues with the practicality of implementing the proposed changes.

## 5. The Rule Change Panel's Decision

The Rule Change Panel's final decision is to accept the Rule Change Proposal as modified following the consultation period.

### 5.1 Reasons for the Rule Change Panel's Decision

The Rule Change Panel has made its decision on the basis that the Amending Rules:

- correct five manifest errors in the Market Rules;
- are consistent with the Wholesale Market Objectives;
- have the support of submissions received;
- have been noted by the MAC with no issues raised, and
- impose no cost on the market.

Additional detail outlining the analysis behind the Rule Change Panel's decision is outlined in section 4 of this Final Rule Change Report.

## 6. Amending Rules

### 6.1 Commencement

The amendments to the Market Rules resulting from this Rule Change Proposal will commence as follows:

- amendments to clause 4.20.5B at 8:00am on 31 May 2017; and
- amendments to clauses 4.26.1, 4.26.1C and 4.26.6 at 8:00am on 1 October 2017, immediately after the commencement of the Amending Rules set out in Schedule B Part 3 of the Order.

## 6.2 Amending Rules

The Rule Change Panel has determined to implement the following Amending Rules (~~deleted text~~, added text):

### Commencement at 8:00am on 31 May 2017 (marked up against the current Market Rules)

4.20.5B. If a Market Participant did not have a Reserve Capacity Offer scheduled, then the quantity of Capacity Credits assigned to each of that Market Participant's Facilities is determined as follows:

- (a) if the Facility is subject to a Network Control Service Contract – the same quantity as the quantity of Certified Reserve Capacity assigned to that Facility under clause 4.9.9(a); and
- (b) if
  - 4. ~~\_\_\_\_\_~~the Market Participant specified a non-zero amount for the Facility under clause 4.14.1(c) or 4.14.1(ca); then the quantity of Capacity Credits is the sum of:
    - 1. the quantity specified by the Market Participant for that Facility under clause 4.14.1(b); and
    - 2. ~~[Blank]~~the quantity specified by AEMO for the Facility under clause 4.14.9.

### Commencement at 8:00am on 1 October 2017 immediately after the commencement of the Amending Rules set out in Schedule B Part 3 of the Order (marked up against the Market Rules in effect at that time)

4.26.1. If a Market Participant holding Capacity Credits associated with a Facility fails to comply with its Reserve Capacity Obligations applicable to any given Trading Interval then the Market Participant must pay a refund to AEMO calculated in accordance with the following provisions.

- (a) The Trading Interval Refund Rate for a Facility *f* in the Trading Interval *t* is determined as follows—

$$\text{Trading Interval Refund Rate (f, t) = RF(f, t) } \times Y$$

where—

...

...

- (e) For a Facility *f* in the Trading Interval *t*, Spare(*f*, *t*) is determined as follows—
  - i. for each Scheduled Generator, the greater of zero and—
    - 1. the MW quantity of Capacity Credits; less
    - 2. the MW quantity of Outage ~~provided~~ as recorded under clause 7.13.1A(b); less

3. the Sent Out Metered Schedule multiplied by two so as to be a MW quantity;

...

- (f) Subject to clause 4.26.1(g), the minimum refund factor RF floor(f, t) in the Trading Interval t is determined as follows—

$$RF \text{ floor}(f, t) = 1 - 0.75 \times \text{Dispatchable}(f, t)$$

where—

- i. Dispatchable(f, t) for a Facility f in the Trading Interval t is its portion of capacity which is not subject to a Forced Outage over the 4,320 previous Trading Intervals pt prior to and including the Trading Interval t and is determined as follows—

$$\text{Dispatchable}(f, t) = 1 - \left( \frac{\sum_{pt \in PT} FO(f, pt)}{\sum_{pt \in PT} CC(f, pt)} \right)$$

where—

1. PT is the set of 4,320 Trading Intervals immediately prior to and including the Trading Interval t and pt is a Trading Interval within that set;
2. FO(f,pt) is the quantity of Forced Outage for a Facility f in the Trading Interval pt, ~~provided~~ as recorded in accordance with clause 7.13.1A(b); and

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- 4.26.1C. Where System Management ~~notifies AEMO under clause 7.13.1A(b) of~~ has recorded under clause 7.13.1A(b) the Planned Outage of a Scheduled Generator in a Trading Interval, AEMO must determine that Planned Outage to be—

- (a) if the Refund Exempt Planned Outage Count for the Facility, calculated over the 1000 Trading Days preceding the Trading Day in which the Trading Interval falls, is less than 8400—a Refund Exempt Planned Outage; or
- (b) otherwise—a Refund Payable Planned Outage.

...

- 4.26.6 The Facility Capacity Rebate in Trading Interval t for Facility f, being a Scheduled Generator or a Demand Side Programme for which a Market Participant holds Capacity Credits—

$$FCR(f, t) = \frac{CC(f, t) \times E(f, t)}{\sum_{f \in F} (CC(f, t) \times E(f, t))} \times TAR(t)$$

where—

- (a) FCR(f,t) is the Facility Capacity Rebate for Facility f in the Trading Interval t;
- (b) TAR(t) is the sum of all Trading Interval Capacity Cost Refunds for all Market Participants in Trading Interval t;
- (c) F is the set of Facilities, being Scheduled Generators or Demand Side Programmes and f is a Facility within that set;
- (d) CC(f,t) for a Facility f in a Trading Interval t is the Facility's capacity in t, which is not subject to an Outage, determined as follows—
  - i. for a Scheduled Generator, the MW value of Capacity Credits less the MW quantity of Outage as ~~provided~~ recorded under clause 7.13.1A(b); and
  - ii. or a Demand Side Programme, the lesser of—
    - 1. the Demand Side Programme Load multiplied by two so as to be a MW quantity less the sum of the Minimum Consumptions in MW for each of the Facility's Associated Loads; and
    - 2. the Demand Side Programme's Reserve Capacity Obligation Quantity in t; and

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