

Wholesale Electricity Market Rule Change Proposal Submission

RC_2017_02

Implementation of 30-Minute Balancing Gate Closure

Submitted by

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Submissions on Rule Change Proposals can be sent by:

Email to: rcp.secretariat@rcpwa.com.au

Post to: Rule Change Panel
Attn: Executive Officer
C/o Economic Regulation Authority
PO Box 8469
PERTH BC WA 6849

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

Further amendments in response to the 'Generator Interim Access (GIA) solution'

On 4 April 2017, Perth Energy proposed that clause 7A.1.16 of the Wholesale Electricity Market (WEM) Rules be amended to change Balancing Gate Closure from the current six-to-two-hour window, to no more than 30 minutes before the relevant Trading Interval. We suggested that this change would reduce the load forecast error and thereby improve the accuracy of the price signal, as well as provide Market Participants greater opportunity to respond to forecast changes and bid as accurately as possible.

Since we lodged our rule change proposal, further information has become available. Relevantly, Western Power has provided further (but not full) information regarding its treatment of prospective generation facilities included in competing applications groups (CAGs). These facilities will have pre-contingent constraints applied to allow them to connect to the Western Power network under the 'Generator Interim Access (GIA) solution'.

Under the GIA solution a tool will be developed by Western Power to run in parallel to the market to review the loading on network elements every few minutes and determine how GIA generators can be dispatched. Perth Energy understands the current intention is for each GIA generator to have the price quantity pairs inserted into the market bid stack after Balancing Gate Closure. This would mean the forecast quantities and prices of all GIA generators are absent from the market, making market outcomes highly volatile. Non-GIA participants will also be prevented from responding to accurate price signals and consequently significantly increasing risk for all non-GIA participants.

We note that the design and operation of the GIA solution is not the issue at-hand, but it will be a significant contributing factor to accurate pricing and participation in the market. Perth Energy therefore considers its rule change proposal could be further amended to remove Balancing Gate Closure altogether. This would allow Market Participants to respond to changes in quantities and prices until the commencement of the relevant Trading Interval, including in response to price and quantity movements of GIA generators.

Moreover, System Management appears to have accepted the high-level design of Western Power's GIA solution to-date including the inherent need for its operators to continually assess and re-dispatch facilities every few minutes. We therefore expect that System Management is able to accommodate short-term changes in dispatch such as those required under this rule change proposal, and those required with the removal of gate closure, despite voicing its reluctance.

Perth Energy considers that in light of the GIA solution, these further amendments to remove Balancing Gate Closure would better achieve the Wholesale Market Objectives.

Commensurate reductions in gate closure for the Synergy Portfolio

As noted in our rule change proposal, there continues to be significant variability in market outcomes, and in particular price over time. Perth Energy has undertaken further analysis in relation to the causes of this variability and has determined that movements in the Synergy Portfolio is a key contributor. Perth Energy therefore considers that the rule change proposal could be further amended to allow Synergy to make rolling forecasts rather than the current fixed-point, and reduce Synergy's Portfolio gate closure times commensurately with those proposed for other participants, for example from six-hours to two-hours.

Perth Energy considers that this will allow Synergy to more actively manage its facilities, minimise volatility in the market and improve overall market efficiency in accordance with the intent of our rule change proposal. It should be noted that practically, Synergy could also remove facilities from the Synergy Portfolio to achieve later gate closure should it be beneficial. Therefore, Perth Energy urges that the implementation of this rule change proposal should not be unduly deferred for these changes.

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

As noted in our rule change proposal, Perth Energy consider that the reduction of the time frames for Balancing Gate Closure as further amended in this submission will allow the WEM Rules to better achieve Wholesale Market Objectives (a), (b), (c) and (d).

The proposed change will:

- enable more active participation for those Market Participants wanting to respond to price signals in the WEM, and ultimately increase competition and reduce prices

- increase transparency and provide greater opportunities for participation of generators in real-time, in response to more accurate price signals
 - increase the dynamism of the market, ensuring that those facilities best placed to meet the energy requirements are dispatched, increasing the efficiency of the market, and ultimately driving lower prices for end-use customers.
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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.

As participants already have an obligation to update their Balancing Submissions after Balancing Gate Closure under some circumstances, Perth Energy will not incur any additional costs associated with the proposed changes or those as proposed to be further amended.

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

N/A
