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Dear Mr Arapis

DRAFT BALANCING SUBMISSION GUIDELINE

The Australian Energy Market Operator (AEMO) welcomes the opportunity to provide this submission in respect of the draft Balancing Submission Guideline.


AEMO observes that the draft guideline has been prepared specifically to explain how the ERA interprets the market power mitigation requirements of clause 7A.2.17 of the Wholesale Electricity Market (WEM) Rules. AEMO notes that the WEM's specific market power mitigation requirements are generally attributed to its concentrated market structure and the capacity-plus-energy market design.

AEMO welcomes the release of the draft guideline, which has the potential to provide increased certainty and clarity to market participants. AEMO specifically supports the consideration of Average Variable Costs, on the grounds that it is inefficient to require generators to exclude these costs and offer into the Balancing Market at loss-making prices.

AEMO suggests that additional clarity is warranted in the draft guideline in relation to circumstances in which a Balancing Facility may be constrained-on out-of-merit. For example, during its First Investigation into Vinalco's Pricing Behaviour, the ERA assessed Vinalco Energy's Balancing Submissions in respect of their impact on a separate market to the WEM, which the ERA defined as "the market to provide support to System Management to ensure the reliability of supply to the Great Southern region".¹ AEMO also suggests that the ERA considers adding information to the draft guideline about its interpretation of the similar bidding requirements for the Load Following Ancillary Service (LFAS) Market in clause 7B.2.15 of the Market Rules, or considers the development of a similar guideline.

If you would like to discuss any matters raised in this submission, please contact Greg Ruthven, Strategic Advisor WA Market Reform, on (08) 9469 4342 or via email at greg.ruthven@aemo.com.au.

Yours sincerely



Martin Maticka
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¹ Notice – First Investigation into Vinalco's Pricing Behaviour, 30 October 2015, available at <https://www.erawa.com.au/cproot/13938/2/Notice%20-%20First%20Vinalco%20Investigation.pdf>.