

Wholesale Electricity Market Rule Change Proposal Submission

RC_2013_15

Outage Planning Phase 2 – Outage Process Refinements

Submitted by

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Submissions on Rule Change Proposals can be sent by:

Email to: support@rcpwa.com.au

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

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

Perth Energy notes that the proposed amendments to the Outage planning process relate to the five-yearly review of the process conducted in 2011. The review made a number of recommendations to improve to the Outage planning process. These recommendations were largely supported by Market Participants as pragmatic solutions to operational inefficiencies and providing needed clarity around the Outage planning process.

Perth Energy supports the proposed amendments in the Independent Market Operator's (IMO) initial rule change proposal as well as the majority of the proposed additional amendments outlined in the Rule Change Panel's call for further submissions.

Specific comments on issues raised by the Rule Change Panel are addressed in the sections below.

Materiality threshold for Outages

Perth Energy is supportive of the Rule Change Panel's suggestion to introduce a materiality threshold for the requirement for participants with Non-Scheduled Generators to log an

Outage. Consistent with Wholesale Market Objective (c), Perth Energy considers the proposed materiality threshold should also be applied to Scheduled Generators.

We note that currently, the Economic Regulation Authority (ERA) interprets the Wholesale Electricity Market (WEM) Rules in relation to the quantity of an Outage that should be logged for a Scheduled Generator differently to the former IMO. The ERA has recently advised Perth Energy that it must log an Outage for a Trading Interval in which the generator's output was outside of its tolerance range at any point in time, even if it was for as little as one minute. This is despite the market being operated in 30-minute Trading Intervals. This interpretation has significantly increased the cost of investigation and compliance activities in the WEM without any improvement in market outcomes.

Perth Energy considers the materiality threshold proposed by the Rule Change Panel should be equally applied to all Facilities subject to the Outage planning process. This would, in most instances, result in the materiality threshold for Scheduled Generators being set as 6 MW, or 3 MWh – presumably chosen to reflect the tolerance range. Perth Energy suggests that the proposed amending rules are clarified to explicitly refer to a Facility's tolerance range determined in accordance with clause 2.13.6D or 2.13.6E of the WEM Rules as appropriate.

Perth Energy also considers further clarification regarding the calculation of an Outage should be provided in the WEM Rules to ensure the ERA's interpretation is consistent with the intent of the definition of an Outage. That is, in simplistic terms, the **average** quantity of electricity **over a Trading Interval** that is not available for dispatch. It is not the quantity of electricity at any point in time or ten-minute dispatch cycle as appears to be currently used by the ERA for the monitoring of dispatch compliance.

Inclusion of capacity not subject to Capacity Credits in power system adequacy studies

Perth Energy suggests that the decision to include or exclude capacity not subject to Capacity Credits should be considered more holistically as part of the ERA's review of the planning criterion in accordance with clause 4.5.15 of the WEM Rules.

We highlight that, prior to the transition of the requirement to perform this review from the IMO to the ERA, it was scheduled to be undertaken in 2017, and recommend that the ERA be required to undertake this review as a matter of priority.

Unavailability of capacity not subject to Capacity Credits

Perth Energy is supportive of the Rule Change Panel's proposal to remove the obligation for participants to log an Outage in relation to capacity not subject to Capacity Credits. The proposal is a pragmatic solution to the current administrative burden of the Outage planning process, with no adverse compliance or system adequacy impacts.

Return to service as soon as practicable

Under the current WEM Rules a participant is not able to increase the quantity of capacity available for dispatch after Balancing Gate Closure – it will always result in non-compliance and enforcement action by the ERA.

To avoid unnecessary non-compliances, Market Participants are likely to have designed systems and processes to avoid the ability to increase a Facility's capacity after Balancing Gate Closure. The proposed changes would therefore be likely to require Market Participants to amend their trading systems and processes to allow these changes to be made.

Perth Energy highlights that the amount of excess capacity, coupled with the current process

for escalating system security issues under the WEM Rules is sufficient to have avoided circumstances that would result in a system-wide blackout, and therefore the proposed changes are unnecessary. Under the current WEM Rules, System Management is able to intervene in the market without any constraints in order to avoid system security issues, or maintain existing levels of system security.

The Rule Change Panel's proposed amendments to allow capacity to be returned to service as soon as practicable, even after Balancing Gate Closure appears reasonable on the face of it. However, given that the recall or late rejection of an Outage is very rare, Perth Energy considers that the cost of system changes for both the Australian Energy Market Operator (AEMO) and Market Participants could exceed the benefit to the market.

Such changes would also add another level of complexity in relation to bidding, availability obligations, dispatch, and compensation payments. Perth Energy therefore does not consider it the benefits of the proposed change would outweigh the cost.

Outage approvals

Perth Energy agrees with the proposal to expedite the approval of Outages by System Management from 30 minutes prior to Balancing Gate Closure. However, the proposed two-day timeframe is not sufficient. The Outage planning process allows Market Participants to request an Outage up to three years in advance. This large window is provided in recognition that Outages covering major maintenance and plant overhauls require significant advanced planning and commitment. For example, these activities often require international technical expertise, which in turn requires more than two days notice of confirmation.

Perth Energy considers that System Management should approve a requested Outage as soon as practicable. This should provide Market Generators with a greater incentive to submit Outage requests earlier, and in turn, provide System Management more visibility of system adequacy in advance.

On this basis, Perth Energy considers System Management should be required to approve or reject a requested Outage no later than 15 business days after the request is made. Where the request is made fewer than 15 business days before the Outage is scheduled to commence System Management must advise as soon as practicable, but no later than two days prior to the day on which the Outage is to commence.

Commissioning tests under a Planned Outage

Perth Energy supports the Rule Change Panel's proposed amendment to include clarification that a Market Generator may operate its Facility in accordance with an approved Commissioning Test while under a Planned Outage. This is a pragmatic solution to one of the issues with the Commissioning Test process in the WEM Rules.

Nevertheless, Perth Energy recommends the Commissioning Test process is considered more holistically with a view to make necessary changes to allow Market Participants to fully comply with the rule requirements.

Additional flexibility in relation to Outages

Perth Energy is generally supportive of the Rule Change Panel's proposed amendments aiming to increase the flexibility for Market Participants to schedule and take Outages when it does not affect system security. This increased flexibility will improve the efficiency of generators in the WEM and result in delivered cost savings to end-use customers.

Implementation

Perth Energy notes that the former IMO, and more recently the Rule Change Panel have continued to defer consideration of the changes due to the potential overlap with the reforms. For the last five years Market Participants have therefore continued to follow the flawed and inefficient Outage planning process.

The industry is yet to be provided with any information on the proposed design of the capacity mechanism or energy market. We are therefore concerned that the proposed changes, last estimated to cost ~\$135,000 and take 12 months to implement, could be imprudent to progress at this point in time.

While Perth Energy continues to support the proposed amendments in principle, the Rule Change Panel should seek formal, written confirmation from the Public Utilities Office (and the Minister for Energy) of the expected longevity of the proposed changes in light of the electricity sector reform initiatives currently underway.

Perth Energy also understands the AEMO is in the process of moving its IT systems out of Western Power which could delay implementation further. Perth Energy expects AEMO will make a submission in response to the Rule Change Panel's call for further submissions and provide a formal position on the timing and cost of the proposed amendments. The Rule Change Panel should place significant weight on AEMO's implementation plan when considering the merits of progressing the proposed changes.

With the uncertainty over the design of the new market, coupled with the expected timing and cost of the proposed changes, Perth Energy implores the Rule Change Panel to consider the most prudent and efficient implementation option.

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

Overall, Perth Energy considers the initial rule change proposal, as proposed to be amended by the Rule Change Panel in its call for further submissions would better achieve the Wholesale Market Objectives. However, Perth Energy considers that if the recommendations in this submission were to be adopted, market efficiency and outcomes could be further improved.

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.

Some of the Rule Change Panel's proposed amendments will require minor changes to Perth Energy's systems and processes. However, the level of detail included in this call for further submissions is insufficient for Perth Energy to accurately determine the necessary changes or associated cost.

4. Please indicate the time required for your organisation to implement the change,

should it be accepted as proposed.

The level of detail included in this call for further submissions is insufficient for Perth Energy to accurately determine the necessary changes or timeframe to implement those changes.
