

Wholesale Electricity Market Rule Change Proposal Submission

RC_2018_07 – Removal of Constrained Off Compensation for Outages of Network Equipment

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.

The Australian Energy Market Operator (**AEMO**) appreciates the opportunity to provide this submission to the Rule Change Panel in response to the Rule Change Notice: Removal of Constrained Off Compensation for Outages of Network Equipment (RC_2018_07) (**Rule Change Proposal**).

AEMO supports the intent of this Rule Change Proposal as we consider the proposed amendments will prevent Market Generators receiving constrained off payments as a result of network outages. AEMO considers that the current Market Rules may create perverse incentives that could result in unwarranted additional revenue for Market Generators. As network outages are not always known ahead of time, Market Customers (who fund constrained payments) may struggle to anticipate or plan for these large charges¹.

AEMO would like to note the following issues:

Issue 1: References to Outage

The Wholesale Electricity Market Rules define an "Outage" as a Planned Outage, a Forced

¹ AEMO presented analysis on these constrained payments in its Quarterly Energy Dynamics report for Q2 and Q3 2018. Available here <https://www.aemo.com.au/Media-Centre/AEMO-publishes-Quarter-Energy-Dynamics---Q2-2018> and <https://www.aemo.com.au/Media-Centre/AEMO-publishes-Quarter-Energy-Dynamics---Q3-2018>

Outage or a Consequential Outage. As not all network equipment is subject to the Outage Planning process, AEMO considers the use of “Outage” in clauses 7.7.3A, 7.7.11(a), 7.7.11(b) and the glossary definition of Operating Instructions may not capture relevant network equipment outages.

To ensure all instances where a network outage results in the reduced output of a Market Generator are captured, AEMO considers that the references to “Outage” in the abovementioned clauses should be changed to “outage”.

This will ensure Operating Instructions can be issued and constraint payments are not paid to Market Generators impacted by any network outage.

Issue 2: Requirement to issue Operating Instructions

AEMO considers that, to ensure clarity, the requirement for AEMO to issue Operating Instructions under clause 7.7.11 should be mandatory.

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

AEMO agrees with the assessment detailed in Section 4 of the Rule Change Proposal.

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.

Should the Rule Change Proposal be accepted as currently drafted, AEMO will be required to make relatively minor amendments to its market systems and associated processes. AEMO estimates that the cost to make these changes should not exceed \$50,000.

To deliver these changes, AEMO intends to include a provision in its upcoming Allowable Revenue Submission to the Economic Regulatory Authority for the three years commencing 1 July 2019.

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

Should the Rule Change Proposal be accepted as currently drafted, AEMO anticipates it will require two months from the publication of the Final Rule Change Report to deliver the necessary system changes required.
