

Wholesale Electricity Market Rule Change Proposal Submission

RC_2018_07

Removal of constrained off compensation for outages of network equipment

Submitted by

Name:	Wendy Ng
Phone:	08 6318 6416
Email:	wng@ermpower.com.au
Organisation:	ERM Power
Address:	Level 9, 225 St Georges Terrace, Perth WA 6000
Date submitted:	8 February 2019

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 Market Rules are currently deficient in that Non-Scheduled Generators continue to receive constrained off payments even though it has clearly submitted a Consequential Outage for outages of network equipment. The Market Rules makes it clear that Scheduled Generators do not receive constrained off compensation should a Consequential Outage be lodged, and it is only Non-Scheduled Generators that do not incur the same treatment, resulting in compensation paid in error to Non-Scheduled Generators when it has lodged a Consequential Outage for outages of network equipment.

It is disappointing that this Rule Change Proposal does not just focus on the issue that the current rules provide different outcomes for Scheduled Generators to Non-Scheduled Generators but also considers a future market environment for which there is currently no clear transition to, nor has undergone a complete market consultation process other than an end goal. Given that we are dealing with an operational issue in this current market environment, it would be the most beneficial outcome to have all generators operating under the current requirements placed on Scheduled Generators, which provides an equitable outcome for all participants.

The PUO has noted in their Proposal that there were three options considered for how to manage this issue. It seems that the more logical choice to take would be Option 1 (which Scheduled Generators currently operate under) to bring all generators into line and to correct the underlying problems with the calculation of the Theoretical Energy Schedule for Non-Scheduled Generators. It was communicated that AEMO and the PUO were not in favour of this solution due to significant system and rule changes required. Even the PUO's Option 2 proposal would have been more equitable for the current market environment. The Option 3 proposal appears to be the simplest and cheapest to implement currently but it imposes a market rule on Schedule Generators that has no immediate impact whatsoever, so why impose it on Scheduled Generators at all when it is not required. If the basis of the Option 3 solution is to ensure consistency for all generators post the introduction of constrained access (from 2022), then it should be written into the post 2022 Market Rules. Given that the current Market Rules are deficient in the treatment of Non-Scheduled Generators only when network constraints occur, the PUO's Option 3 solution should only apply to Non-Scheduled Generators.

In addition, the Rule Change proposal is making policy declarations, which are best dealt with under the Constrained Grid changes, separate to this Rule Change. The PUO has made policy declarations within this Rule Change proposal which has not been discussed with Market Participants until its appearance in the Rule Change proposal.

The PUO in this Rule Change proposal mentions that it is their expectation that a fully constrained access model will commence in 2022. Due to that expectation, it says that "Constrained off compensation payments will not exist once firm access rights are removed" and therefore based on this view it believes that the market should not be paid constrained off compensation now in advance of the adoption of the fully constrained access environment.

The policy decision to remove all Constrained Off payments as a transitional mechanism in lieu of understanding the constrained access reform package is a step that ought not be taken lightly. The issue around constrained off payments has never really been clarified by the PUO nor settled with the market.

In the first paper published by the PUO on the adoption of a constrained network access environment, the PUO had not decided on whether constrained off payments would continue with the possibility of it being part of the transitional assistance mechanism. The more recent paper published by the PUO in September 2018 indicated that it would introduce financial transmission rights as part of the transition to the constrained network access model, but it did not mention constrained off payments not being made, nor did it fully detail the make-up of the transitional assistance scheme.

There is still no clarity on the transitional assistance package that is being considered by the PUO. However, in this Rule Change proposal, the PUO has made a blanket policy statement that there will be no constrained off payments made post the introduction of a constrained network access environment and therefore its position is that constrained off compensation can be taken off the table for all generators to apply now.

Further, the PUO stated in its Rule Change proposal that generators have 'agreed to a reduced level of access', which is not a true statement. The constrained access reforms have not progressed further at the time this submission was made and to assume that generators have accepted this change unilaterally without an understanding of the details of the reform projects is a disappointing interpretation of the current course of events.

Until the details surrounding the adoption of constrained access have been clarified, it is not appropriate to remove all constrained off payments in the current environment in lieu of more

details around the constrained access reforms and the transitional assistance scheme. We reiterate the point made earlier that the Rule Change proposal should only apply to Non-Scheduled Generators only as Scheduled Generators are dealt with within the Market Rules.

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

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.

Not Applicable

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

Not Applicable
