

## Wholesale Electricity Market Rule Change Proposal Submission

**RC\_2019\_05**

### Amending the Minimum STEM Price definition and determination

**Submitted by**

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Submissions on Rule Change Proposals can be sent by:

Email to: [support@rcpwa.com.au](mailto:support@rcpwa.com.au)

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

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

Synergy appreciates the opportunity to provide feedback in response to the call for first round submissions: Amending the Minimum STEM Price definition and determination (RC\_2019\_05).

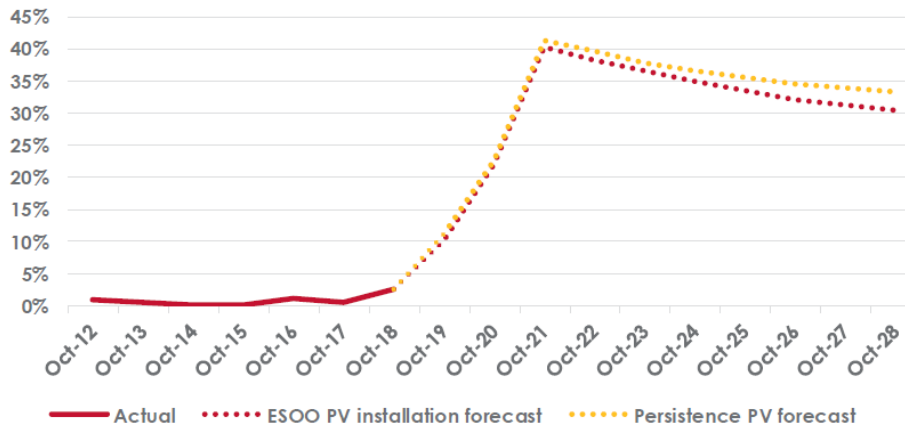
Synergy wishes to reaffirm the urgency in addressing this market design inefficiency now as opposed to later as part of the Government's Energy Transformation Strategy (ETS) which will be effective post 1 October 2022.

The Australian Energy Market Operator (AEMO) has forecasted an exponential increase in the occurrence of negative pricing from c. 5% in October 2018 to c. 40% of trading intervals by October 2021<sup>1</sup> (Appendix 1).

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<sup>1</sup> [https://www.aemo.com.au/-/media/Files/Electricity/WEM/Security\\_and\\_Reliability/2019/Integrating-Utility-scale-Renewables-and-DER-in-the-SWIS.pdf](https://www.aemo.com.au/-/media/Files/Electricity/WEM/Security_and_Reliability/2019/Integrating-Utility-scale-Renewables-and-DER-in-the-SWIS.pdf)

Figure 13 Occurrence of negative trading intervals in the WEM



As additional large-scale renewables and distributed energy resources (PV growth is currently at 175MW/year) continue to inundate the market, the variance of load from forecast is expected to increase. The combined effect is likely to have a material impact on the number of intervals at the market floor price. This is expected to occur well before 1 October 2022 and will place unnecessary and costly burden on generators.

As the default provider of ancillary services in the SWIS, it is likely that Synergy will be expected to provide the majority of these services during periods of low market prices. However, where any generation is in service for the provision of ancillary services, a minimum STEM price of  $-\$1,000/\text{MWh}$  unnecessarily increases the cost of providing essential services and these costs will need to be recovered from all market participants.

Approval of an interim minimum STEM price prior to 1 October 2022 is therefore required to not only improve the management of system security but to minimise long term costs of energy and enable market efficiency by reducing the exposure for Market Generators during incidents where the balancing price reaches the floor.