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Economic Regulation Authority
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ERA CONSULTATION: OFFER CONSTRUCTION GUIDELINE, TRADING CONDUCT GUIDELINE AND WEM PROCEDURE: MONITORING PROTOCOL

Synergy welcomes the opportunity to provide a submission to the Economic Regulation Authority (**ERA**) on the proposed amendments to the Offer Construction Guideline (**OCG**), the Trading Conduct Guideline (**TCG**) and the WEM Procedure: Monitoring Protocol (**Monitoring Protocol**) released for consultation on 5 September 2024. Synergy understands that the proposed amendments to the OCG, TCG and Monitoring Protocol are intended to align the documents with the amendments to the Wholesale Electricity Market Rules (**WEM Rules**) as proposed by Energy Policy WA (**EPWA**) in their Exposure Draft of the FCESS Cost Review Amendments (**FCESS Rules**) released on 9 September 2024.

Synergy sets out below a high-level overview of the key issues that it submits must be dealt with before the ERA finalises the OCG, TCG and Monitoring Protocol. Synergy's detailed drafting comments in relation to the proposed amendments to the OCG and the TCG are provided in Annexures A and B respectively.

1. Offer Construction Guideline

a. Removal of Contingency Reserve Raise Costs

Synergy does not support the proposed amendments to the OCG removing the ability for Market Participants to include costs for Contingency Reserve Raise (**CRR Costs**) in the construction of market offers. This proposal is set out in Table 1 in section 3.1 of the OCG, where CRR Costs have been removed from the list of cost components for Efficient Variable Costs (**EVC**). Synergy notes that CRR Costs are incurred with the provision of energy and market services. The costs are unavoidable when a Facility provides energy and also vary with a Facility's production level. Therefore, such costs appear, prima facie, to be a variable cost and should form part of a Facility's EVC.

Synergy acknowledges that the ERA provided some reasoning behind the proposed change at the "*Wholesale Electricity Market (WEM) Procedures and Guidelines – Online Workshop*" held on 19 September 2024, halfway into the consultation period on the draft amendments to the OCG, TCG and Monitoring Protocol. However, Synergy considers the reasoning to be incomplete and thus, requests that the ERA provide a more fulsome explanation for the proposed change.

WEM Rule 2.16D.1(a)(iii) requires the ERA to develop and maintain the OCG so that the OCG permits the recovery of all EVC of producing the relevant electricity.

Synergy therefore considers that the ERA must either:

1. explain why the ERA considers CRR Costs are not 'efficient' costs (noting the costs are clearly 'variable' costs because they change with a Facility's output, and are only incurred when the Facility is operating); or
2. amend the draft OCG to reinsert the CRR Costs as valid components of EVC.

Given the above, Synergy further suggests that the proposed amendments to exclude CRR Costs from the list of EVC components should be removed from the current consultation, and instead be undertaken at a later point in time to allow for further clarification of the ERA's rationale for this proposal and analysis of the CRR Costs outcomes and any cost impacts on the Energy Market Clearing Price.

b. Start-up Costs

The proposed amendments to the OCG require (in section 3.1) that start-up costs be "allocated across time and production, as well as number of starts in a uniform manner so as not to manipulate prices".

It is unclear to Synergy what is meant by the ERA's use of the phrase "in a uniform manner". Synergy would like the ERA to clarify the intent of these amendments.

Further, Synergy seeks clarity on the intent of the proposed amendment to the OCG (also in section 3.1) to now include the following statement that "Independent expert advice **must** support the distribution of costs across run time, output and number of starts" (emphasis added).

Can the ERA please confirm what it means by the use of the word "must" in the above sentence.

c. Multiple gas supply contracts including long-term take-or-pay fuel contracts

Synergy has separately raised with the ERA Synergy's concerns that the OCG is insufficiently clear in providing guidance on how a Market Participant with multiple gas contracts can make compliant offers based on those gas contracts (similarly for multiple fuel contracts). There is a lack of clarity on how a Market Participant can compliantly form fuel input prices when it has one or more long-term take-or-pay fuel contracts that do not supply sufficient gas for the relevant Facilities for the relevant period for the price offers. Synergy considers there is also insufficient clarity regarding how to determine a 'market price' of gas (similarly for any fuel type), particularly for Market Participants with large generators or large portfolios of generators, such as Synergy's (i.e. a generator or portfolio of generators that has gas demands that are too large to consistently purchase all of that gas demand from the spot markets alone).

Synergy considers these issues now urgently require clarification following the removal of clause 2.16A.1 in the FCESS Rules, the effect of which is to remove the comfort that offer prices were compliant if they were consistent with the offer prices that would be made by a Market Participant without market power. In Synergy's view, an effect of WEM Rule clause 2.16A.1 was to effectively provide a range of offer prices that could be compliant because there could be different reasonable views on how a Market

Participant without market power would construct its price offers when it has multiple gas contracts and/or how it would determine the 'market price' of gas. Thus, the prior version of the WEM Rules effectively provided that a range of offer prices could be compliant.

WEM Rule 2.16D.1(a) requires the ERA to provide guidance in relation to the application of the new pricing rules (as amended in the FCESS Rules) and details of how the ERA will assess offer prices. In Synergy's view, the OCG is currently inconsistent with these WEM Rule obligations because it does not provide sufficient guidance or detail in light of the amendments in the FCESS Rules. Synergy therefore recommends that further amendments to the OCG are required to address these issues.

d. *Ex-ante vs. Ex-post Pricing*

Synergy notes that the ERA's interpretation of the new 'Economic Price Offer' pricing rules (as outlined in the FCESS Rules) include a requirement for offer prices to reflect a Market Participant's 'reasonable expectations of' EVC (see section 3.1 of the revised OCG). Synergy agrees with the ERA's interpretation, this is consistent with Synergy's submission regarding EPWA's proposed amendments to the FCESS Rules.

e. *Inefficient Market Outcomes*

Synergy notes that the ERA has removed examples of what behaviour it considers meets the definition of 'inefficient market outcomes'. Synergy requests the ERA advise whether it has removed these examples because the ERA:

1. considers it is not required by the WEM Rules to include guidance on what circumstances constitute 'inefficient market outcomes'; or
2. has changed its interpretation of what circumstances constitute 'inefficient market outcomes'.

f. *Offers At or Below EVC*

Synergy understands that the ERA's view is that the new 'Economic Price Offer' pricing rules (as outlined in the FCESS Rules) now only prohibit pricing **above**¹ a reasonable expectation of EVC. Consequently, offers at or below EVC are now only relevant to conduct that is described in the TCG and not in the OCG. Synergy requests the ERA confirms Synergy's understanding. With this understanding, Synergy considers that the TCG should provide additional guidance on when offer prices below EVC are and not expected to be in breach of the TCG.

g. *FCESS Pricing & WEMDE*

Synergy considers there is an issue with the current design of AEMO's WEM Dispatch Engine (**WEMDE**) in that the co-optimisation function does not seek to optimise based on the least cost of energy price plus FCESS price plus FCESS Uplift payments. Rather, Synergy understands that WEMDE's optimisation function minimises the total costs based only on energy price plus FCESS price.

This optimisation design means that when WEMDE selects Facilities to provide FCESS, the chosen Facilities are not necessarily the least cost set of Facilities after

¹ Economic Regulation Authority, 2024, Offer Construction Guideline, p. 9.

taking into account energy prices, FCESS prices, **and** the total likely FCESS Uplift payments.

Synergy notes that, factually speaking, total FCESS costs in the WEM are predominantly based on FCESS Uplift payments and, often, there are little to no additional marginal variable costs that are incurred for providing FCESS. As such Market Participants are likely to offer FCESS services from capable Facilities at minimal prices. As such the FCESS Market Clearing Prices are often at or near \$0, however, the FCESS Uplift Payments are often significant. Therefore, WEMDE's optimisation approach does not optimise for one of the greatest costs, if not *the* greatest cost, to provide FCESS.

Market Participants are unable to currently understand how the market dispatch outcomes will be impacted by the amendments to the tiebreaking constraints as proposed in the FCESS Rules. For example, it is possible that the changes may lead to oscillating Facility commitment signals and dispatch inefficiency, as well as possible price impacts (e.g. because this is likely to result in more start-up costs). Synergy is concerned that the above facts, combined with the above WEMDE optimisation issue and the amended tiebreaker constraints introduced in the FCESS Rules² will mean that, where multiple Facilities have been offered for FCESS provision at \$0 (or otherwise have tied FCESS offer prices that are 'in the money'), the FCESS Rules tiebreaker constraints will result in a significant increase in the number of commitment and decommitments for gas turbines which provide FCESS services. Synergy has requested a two-week market trial period in its submission to EPWA on the FCESS Rules and considers this is necessary for Market Participants to better understand likely dispatch outcomes.

2. Trading Conduct Guideline

a. Offers At or Below EVC

From the ERA's workshop held on 19 September, Synergy understands the ERA's position is that the only instance where offers below EVC are a compliance issue is where such pricing amounts to predatory pricing.

Can the ERA please confirm Synergy's understanding or, if there are other circumstances, please provide examples.

In any event, as required by the WEM Rules, can the ERA please provide guidance and clarity on the boundaries of when pricing below EVC is compliant and when it is non-compliant with the WEM Rules. Synergy considers the following examples should be included in the TCG.

1. Pricing is compliant when it is required to:
 - a. effect dispatch that reflects physical limitations on the dispatch of the Facility (e.g. to ensure a Facility is not required to be dispatched below its minimum stable generation level);
 - b. avoid risks of forced outages in circumstances where the Facility being operated in a certain manner increases risks of forced outages; and

² WEM Rules 7.5.15 to 7.5.18.

- c. reflect opportunity costs related to production-based subsidy, for example revenues related to environmental certificates such as Large-Scale Generation Certificates.

2. Pricing is non-compliant when such pricing amounts to predatory pricing.

b. 'Distortion' of Market Prices

The WEM Rules require that the TCG provide 'clarity and guidance' on what conduct the ERA considers will result in pricing that 'distorts' market pricing for the purposes of clause 2.16A.3 of the WEM Rules.

Synergy notes that, because the current WEM Rules require a Market Participant to offer at the price a Market Participant without market power would offer, the baseline against which such a distortion is measured is clear (i.e. the baseline is the price that would have resulted if the Market Participant had priced in the same manner a Market Participant without market power would have priced).

However, under the FCESS Rules, a Market Participant will be entitled to offer at or below EVC, unless, inter alia, this 'distorts' market prices. Consequently, the baseline against which such a distortion is measured is not clear.

Therefore, under the FCESS Rules, there is a greater need for the ERA to provide clarity and guidance on the baseline it will measure such distortions against so that Market Participants can determine what conduct is prohibited under the FCESS Rules and what conduct is compliant. Without such clarity and guidance, the TCG will not comply with requirements in the WEM Rules.

3. Transition Period

Synergy considers that the proposed amendments to the OCG and TCG, coupled with proposed FCESS Rule amendments, deliver fundamental changes to trading obligations within the WEM. In acknowledging the magnitude of the proposed changes, Synergy requests that a three-month amnesty period for compliance is applied as part of implementation of the proposed changes. This would allow Market Participants to fully operationalise, review and revise their trading, training and change management processes and continue evolving their processes as they adapt to the new FCESS Rules and the amended OCG and TCG to best meet the new requirements.

Synergy thanks the ERA for this submission opportunity.

Yours sincerely



Annexure A – Synergy’s detailed comments on the drafting of the Offer Construction Guideline

Synergy’s Detailed Comments on the Offer Construction Guideline				
#	Section Ref.	Page Ref.	Classification	Issue
1	3.1	8	Major	<p>Synergy seeks clarity as to the ERA’s intent of the following statements in the OCG:</p> <p><i>“The costs are allocated across time and production, as well as number of starts in a uniform manner so as not to manipulate prices.¹⁶ Independent expert advice must support the distribution of costs across run time, output and number of starts.¹⁷”</i> (page 8)</p> <p>1. <u>Clarify meaning of “in uniform manner”</u></p> <p>Is “in a uniform manner” intended to mean utilising a consistent methodology to determine how costs are allocated (i.e., always via the number of starts)? Or does “in a uniform manner” imply that the cost allocation per interval should be a consistent \$/MWh value for each dispatch run?</p> <p>Synergy considers that within a Facility’s dispatch run, there could be a selection of intervals where the Market Participant may offer below costs (where appropriate to do so, and such that it is intended to minimise total costs overall – i.e. by avoiding a shutdown and restart etc.) to keep the Facility online. In such circumstances, Synergy considers that it should be allowable for the Market Participant to “shape” the allocation of start-up costs so that these costs are recovered in the intervals where the Facility is able to be offered at its full EVC and remain online. For example, assume the Facility is expected to be “out of merit” for one Trading Interval in a dispatch run of ten Trading Intervals. In such circumstances can the start-up cost be allocated across the nine Trading Intervals, rather than ten, noting that the Market Participant is not expected to be recovering its start-up cost (due to offer at lower price as out of merit) in one Trading Interval?</p> <p>2. <u>Clarify ‘independent expert’ obligation</u></p> <p>Synergy also seeks clarity as to what is the intended legal effect of the obligation that the distribution of costs “must” be supported by the “Independent expert advice”? Is this intended to state that the approach used by a Market Participant for cost determination is appropriate? For example, does it mean:</p> <ul style="list-style-type: none"> a) if a Market Participant does not obtain independent expert advice the Market Participant will be in breach of a WEM Rule and, if so, which WEM Rule; or b) if a Market Participant does obtain independent expert advice, and allocates start-up costs consistently with that advice, the Market Participant will effectively be deemed to have included start-up costs in a manner consistent with the OCG. <p>Synergy also would like to understand how the requirement to obtain independent expert advice, as implied via the phrase “independent expert advice must support”, is considered under the ERA’s Monitoring Protocol. Further, this requirement appears to be beyond the requirements of the WEM Rules, and the costs incurred for an independent expert do not appear to be recoverable in the WEM under the OCG or considered within the determination of the Benchmark Reserve Capacity Price.</p>

2	3.1, Table 1 and 3.5.2	8, 23	Major	<p>Synergy does not understand nor support the removal of “Runway costs of Contingency Reserve Raise” from the table of Efficient Variable Costs. These costs are not fixed costs and are avoidable if a Facility does not operate. Without including these costs, the OCG is effectively creating an operating environment in which Market Participants may incur a loss for operating their units.</p> <p>Based on the explanation to Market Participants on 19 September 2024, Synergy understands that the ERA’s proposal to remove CRR Costs as allowable components of compliant offers is:</p> <ol style="list-style-type: none"> 1. based on the ERA’s understanding that the Market Clearing Price for Energy as determined by AEMO’s WEM Dispatch Engine (WEMDE) reflects a higher cost than that of the marginal Facility to account for the CRR Costs that the marginal Facility will be exposed to; and 2. based on the ERA’s understanding that the policy intent of allocation of CRR Costs via the runway method is to send long term investment signal to encourage smaller sized Facilities. <p><u>With respect to item 1:</u></p> <p>Synergy understands that the WEMDE Market Clearing Price calculation will make trade-offs between mutually exclusive in-service quantities for Energy and Contingency Reserve Raise. While these trade-offs <i>may</i> affect the determined Market Clearing Price, Synergy does not understand how a Market Participant gains surety that any <i>potential</i> producer surplus obtained will be sufficient to cover the CRR Cost incurred by its Facility based on its runway share of CRR Costs. Further, if the marginal Facility is not able to include CRR Costs in its offers, the facility will not be able to recover its EVC of producing the relevant electricity.</p> <p>Synergy also seeks to understand how trade-offs between mutually exclusive in-service quantities for Energy and Contingency Reserve Raise are relevant when a Facility is operating below its costs (i.e., it is out of merit for Energy but constrained on by WEMDE for the provision of FCESS). Does the ERA contend that the FCESS Uplift Price reflect the CRR Costs attributed to the Facility in these situations?</p> <p>Synergy seeks clarity whether the ERA has undertaken any Facility revenue adequacy analysis relative to the CRR Costs allocated to Facilities. Further, Synergy seeks additional analysis to be provided by the ERA to support its position, including how its position complies with its requirement under clause 2.16D.1(a)(iii) of the WEM Rules, which requires the ERA to develop and maintain the OCG so that the OCG permits the recovery of all EVC of producing the relevant electricity.</p> <p><u>With respect to item 2:</u></p> <p>Synergy notes that when a Facility’s costs are inefficient (including the share of CRR Costs attributed to the Facility) it will be penalised in the short-term due to reduced dispatch in the Real-Time Market, which impacts the profitability and ability to recover fixed costs for that Facility. In the long-term, Market Participants are likely to be forced to retire these Facilities early due to the likelihood of losses being incurred.</p> <p>For future investments, Synergy notes that investors should be considering the full costs of investment, and not solely focused on the CRR Costs. Although a smaller sized Facility may result in lower CRR Costs, it may not be the least cost investment overall for the SWIS and consumers. For example, smaller Facilities may result in higher capital costs as economies of scale are not achievable, or increased network costs as more connections are required. For certain locations within the network, Facilities may be exposed to CRR Costs due to the network contingency, and although the Facility may be a smaller Facility, it cannot mitigate against the network CRR Cost.</p> <p>Further, and in any event, Synergy requests the ERA provide its views on how its decision to implement this policy objective is consistent with its obligation in clause 2.16D.1(a)(iii) of the WEM Rules.</p>
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Synergy's Detailed Comments on the Offer Construction Guideline

#	Section Ref.	Page Ref.	Classification	Issue
				Synergy suggests, given the criticality of this change, that the proposed amendment is removed from the current consultation period, and undertaken at a later point in time (say in three to six months) to allow Market Participants to review market outcomes and develop an understanding of how the CRR Costs may (or may not) impact the Market Clearing Price.
3	3.6.3, Example 11	28	Typographical	Synergy considers that the proposed edits to Example 11 (swapping the order of \$24 and \$48 in the calculation) is in error and the edits should be reverted back as per the current OCG.
4	Section 4.2	33	Moderate	Synergy is of the understanding that the proposed amendments to the OCG to remove the following requirement " <i>The Market Participant can demonstrate the reason for offers below costs of supply</i> " (page 36 of the current OCG) is due to the proposed amendments in the FCESS (namely introduction of clause 2.16C.6A). In light of this amendment, Synergy considers that the TCG and /or the OCG should provide guidance in terms of what offers would constitute a breach of clause 2.16A.3. Synergy raises further comments on this issue in item 1 of the table in Annexure B.

5	Section 3.3.2	17	Major	<p>In addition to the concerns raised in the main body of the submission (refer paragraph 1c) seeking clarity on fuel pricing within compliant offers, Synergy seeks clarity on the ERA's expectations of offer construction where a Market Participant has multiple fuel contracts. Synergy notes that this item relates to Synergy's concerns raised in its submission dated 18 July 2023³ on the previous OCG, item 12.</p> <p>Synergy understands that the ERA expects, where a Market Participant has a Long- Term-Take-or-Pay (LTTOP) fuel contract that is 'in the money', the Market Participant should calculate all of its offer prices based on a reasonable estimate of the market price of that fuel type. However, Synergy remains concerned that the OCG does not currently provide sufficient guidance on how to determine a market price of each fuel type, particularly for a portfolio as large as Synergy's. As set out in the main body of the submission, Synergy considers the need for the OCG to provide guidance and clarity on this matter is greater following the FCESS Rules' proposed deletion of clause 2.16A.1.</p> <p>Synergy understands that the ERA expects, where a Market Participant has a LTTOP fuel contract that is 'out of the money':</p> <ul style="list-style-type: none"> • each day, the Market Participant must use that LTTOP fuel input price in market submissions for Dispatch Intervals that will have the least impact on Market Clearing Prices; and • the Market Participant is not permitted to simply use that LTTOP fuel input price in its market submissions for sequential Dispatch Intervals. <p>Synergy understands this to mean that the ERA expects that a Market Participant can only use the LTTOP fuel input price in Dispatch Intervals that the Market Participant estimates will result in the lowest Market Clearing Prices over the day.</p> <p>Synergy notes that a requirement for Market Participants to identify the Dispatch Intervals where using its LTTOP fuel contract prices would have the least impact on market prices is a complex and uncertain task, noting that it applies to six separate, but co-optimised markets, being Energy and the five FCESS markets.</p> <p>Synergy is not certain how a Market Participant would practically be able to identify such 'least impact' Dispatch Intervals for each of these six markets for each and every 5-minute period across each day, including because the relevant forecasts relied upon can change rapidly, and with every 5-minute updated forecast.</p> <p>Synergy is also concerned that pricing in a manner with the intention to have a certain impact on market prices appears inconsistent with the prohibition against market submissions having the purpose or effect of manipulating market prices (clause 2.16A.3 of the WEM Rules).</p> <p>Synergy provides two alternate options for the ERA's consideration. Both options permit recovery of all LTTOP fuel contract costs and do not have the purpose or effect of manipulating market prices.</p> <ol style="list-style-type: none"> 1. A Market Participant determines its offer prices based on its LTTOP fuel prices for sequential Dispatch Intervals until the Dispatch Interval that the Market Participant expects to have consumed all of the minimum requirements from its LTTOP fuel contract; or 2. A Market Participant determines its offer prices based on its forecasted weighted average cost of fuel that it expects to purchase for the relevant Trading Day (Synergy expects that this approach is likely to result in lower average offer prices for a Trading Day). <p>In terms of practical implementation and likely market impacts, Synergy considers that option two is preferable.</p>
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³ Refer item 12 in the table, [D263459-2023.MPMS---Synergy--offer-construction-guideline-and-trading-conduct-guideline-Redacted.PDF \(erawa.com.au\)](#)

Synergy's Detailed Comments on the Offer Construction Guideline

#	Section Ref.	Page Ref.	Classification	Issue
6	3.4	21-22	Moderate	Synergy re-raises its comments from its prior submission on the OCG provided in July 2023 ⁴ , in regard to the OCG not providing sufficient clarity on Long Term Service Agreements. Synergy still considers that the OCG should provide further clarity on the definitions of the annual operating expenses and the annual maintenance expenses and what costs are included in each of these components. Synergy suggests that the OCG should provide more clarity in terms of the definitions and allowable costs for each of the offer construction components.
7	4.1, par. 7	32	Moderate	<p>Synergy seeks guidance on the allowable process by which Market Participants can account for forecasting errors in their market offers noting that the actual market outcomes (including dispatch volumes, run time and Market Clearing Prices) cannot be accurately predicted at the time of making market offers, particularly for offers in the Short-Term Energy Market (STEM).</p> <p>Synergy also notes that, many of the risks faced by Market Participants are asymmetrical. Where such asymmetrical risks exist, Synergy considers a Market Participant may not be able, on average, to recover its EVC. Therefore, it appears the ERA's prohibition against including risks margins is inconsistent with the requirement in clause 2.16D.1(a)(iii) of the WEM Rules.</p>
8	Example 10	26	Typographical	<p>Synergy considers that the drafting in the Example 10 is in error. Synergy considers the final sentence for each of these examples should instead state:</p> <p><i>"....not compliant with WEM Rule 2.16C.6A and would not be an Economic Price Offer and would_ result in an Irregular Price Offer under WEM Rules 2.16C.6(c) and, (d)."</i></p>
9	Example 12, Example 14	29, 30	Typographical	<p>Synergy considers that the drafting in the Examples 12 and 14 are in error. Synergy considers the final sentence for each of these examples should instead state:</p> <p><i>"....are consistent with WEM Rule 2.16C.6A and would not be an Economic Price Offer and would not result in an Irregular Price Offer under WEM Rules 2.16C.6(c) and, (d)."</i></p>

⁴ Refer item 7 in the table, [D263459-2023.MPMS---Synergy--offer-construction-guideline-and-trading-conduct-guideline-Redacted.PDF \(erawa.com.au\)](#)

Annexure B – Synergy’s detailed comments on the drafting of the Trading Conduct Guideline

Synergy’s Detailed Comments on the Trading Conduct Guideline				
#	Section ref.	Page ref.	Classification	Issue
1	3.3, Example 6	9	Major	<p>As raised above (refer item 4, Annexure A), with the proposed amendments in the FCESS Rules (namely introduction of clause 2.16C.6A) that amend offer obligations, Synergy considers that the TCG should provide further guidance regarding below cost offers, and what behaviour will and will not be considered to be in breach of WEM Rule clause 2.16A.3. Of particular importance is clarity on what circumstances below costs offers would be deemed to be:</p> <p><i>“conduct that has the purpose or effect of distorting or manipulating prices”</i> (page 4 of the proposed TCG),</p> <p>In providing this guidance the TCG needs to consider both the supply and demand in the markets, including the relevance of a Market Participant’s contracts and contract positions. For example, a net-buyer may be incentivised to bid below costs in the Real Time Market solely to result in lower Market Clearing Prices. Would this behaviour be considered acceptable under WEMM Rule clause 2.16A.3? Particularly, noting that the WEM currently has limited depth of offers below -\$50/MWh through to the Energy Offer Price Floor, meaning that a small change in the MW outcome of the market can result in significant change in the Market Clearing Price (and the resulting FCESS Market Clearing Price and Uplift Payments).</p> <p>The TCG should outline that use-cases such as those listed (note this is not an exhaustive list) where below cost offers should be deemed to be appropriate conduct and not in breach of WEM Rule clause 2.16A.3:</p> <ul style="list-style-type: none"> • Allowing for sensible commitment and dispatch decisions for thermal plants, where the losses incurred are less than the avoidable fixed costs; • Avoiding infeasible dispatch; • Allowing a Facility to ramp on/off; • Undertaking commissioning or prudent Facility testing; • Managing short-term Facility constraints; • Reflecting opportunity cost of lost Renewable Energy Certificate sales; • Allowing for efficient ride-through of a Facility; and • Facilitating in-merit ESS participation when out of merit in Energy market.