
RC_2011_10: Competitive Balancing and Load Following Market

Submitted by

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Submission

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

LGP supports the Rule Change Proposal.

LGP has participated in the development of the Rule Change process since its conception via its membership of the Market Advisory Committee, the Rules Development Implementation Working Group, and the various industry workshops. We support the process as having cost-effectively delivered fit-for-purpose outcomes by means of industry participation supported by the appropriate use of specialist consultants. In particular, we support the “outcomes” focus of the Rule Changes, to be supplemented by the development with full stakeholder participation of comprehensive Market Procedures and Power System Operating Procedures. We consider that this approach will deliver the timely implementation of optimal changes notwithstanding the complexity and scale of the issues.

LGP welcomes the proposal's acceptance of the principle that some existing facilities might not be reasonably capable of fully participating in the new arrangement, or that the cost of the necessary upgrades would be prohibitive. We note that the proposed rules provide at clause 7A1.8 for the IMO to suspend the obligation placed on Market Participants to ensure that Balancing Facilities meet the Balancing Facility Requirements, or to impose conditions on their participation. We suggest that the wording of clause 7A1.6, which mandates that all Balancing Facilities meet the Balancing Facility Requirements, should be harmonised with clause 7A1.8 by inclusion of the words, “Subject to clause 7A1.8”.

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

LGP supports the IMO's assessment of the impact on the Market Objectives. In particular, the core proposals deliver price-driven markets with broad participation in the provision of energy and load-following. They also remove structures that have unnecessarily inhibited flexible integration of the various generator classes, and thereby increased costs.

Market Objective (a) *to promote the economically efficient, safe and reliable production and supply of electricity;*

Balancing and Load-Following prices will be made more efficient and transparent by the creation of competitive markets that facilitate participation by all generators.

Market Objective (b) *to encourage competition among generators and retailers by facilitating efficient entry of new competitors;*

The new markets will replace the current Regulated Mechanisms supplied by Verve Energy, and will be price-driven, transparent, and open to all generators. New participants will be encouraged by the transparency and regulatory oversight of the obligation to participate at the notional SRMC.

Market Objective (c) *to avoid discrimination against particular energy options and technologies;*

The new markets will make transparent the consequences of Intermittent Technologies and provide lowest-cost accommodation of their intermittency. They will also protect Verve Energy from 'uncompensated' turn-down of must-run plant.

Market Objective (d) *to minimise the long-term cost of electricity supplied to customers*

In addition to the participation of IPPs in the new markets, all participants will be obligated to offer at the notional SRMC.

Market Objective (e) *to encourage the taking of measures to manage the amount of electricity used and when it is used.*

The provision of near real-time prices and price forecasts will provide a signal for optimal consumption.

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

LGP will be significantly affected by the proposal, having to participate in the Balancing Market by offering turn-down prices and installing systems to receive and respond to Dispatch Instructions. We are currently unable to estimate the costs because the Operating Procedures and equipment standards have not been determined.

LGP welcomes clause 7A1.8 empowering the IMO to suspend the obligation to ensure that Balancing Facilities meet the Balancing Facility Requirements, or to impose conditions on participation.

LGP encourages the IMO and System Management to develop cost-effective and fit-for-purpose system requirements that do not discriminate against small scale participants through the imposition of high costs. In particular, this would extend to IT requirements and the ability to rely on Standing Submissions instead of a manned trading desk.

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

Given the participative nature of the initiative to date, LGP anticipates being able to implement the Rule Change on the same timescale as other stakeholders generally.
