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**Wholesale Electricity Market  
Rule Change Proposal Submission Form**

**RC\_2011\_10 Competitive Balancing and Load Following Market**

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**Submitted by**

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**Submission**

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

It has long been a concern for Synergy that the Marginal Cost Administered Price does not consistently or accurately signal the true marginal cost of generation and hence the true cost of balancing in the WEM. There are a number of reasons for this, including the complexity of its derivation under the current Market Rules. The decision by the market to introduce competition into the provision of balancing and load following services is welcomed to the extent that it results in a clean balancing price (not presently delivered under the current rules) which will more accurately reflect the cost of providing those services.

**Information to be released via the Market Web Site**

Synergy notes that numerous additions to clause 10.5.1 have been made increasing the information available to the market. Synergy supports initiatives to increase access to market information to enable more informed decision making which will promote more efficient outcomes. In this regard, Synergy requests that the IMO publish, under clause 10.5.1(j), the forecasts of aggregated Non-Scheduled Generation used in the Load Forecasts prepared by System Management under clause 7.2.1.

**Market Rules 6.7.3 and 6.7.4 – should be reviewed for relevance**

The introduction of the Competitive Balancing regime has provided the opportunity to review and assess whether a number of rules are still relevant. For example, UDAP and DDAP, punitive penalties designed to encourage Market Generators to follow Resource Plans, are deemed no longer necessary and have been dropped.

Synergy suggests it may be timely, as part of the implementation of Competitive Balancing, that the IMO review the continuing relevance of rules 6.7.3 and 6.7.4. The former acts to prohibit a Market Generator from nominating quantities to a Market Customer in excess of contracted supply obligations while the latter acts to prohibit a Market Customer from significantly over nominating its Net Contract Position on a regular basis in excess of a reasonably allowance for forecast uncertainty; the collective object of these rules is to disallow Market Participants making arrangements to put energy into the market over and above their requirements and obligations.

Synergy requests the IMO to consider whether the advent of Competitive Balancing obviates the need for these rules. This is because the Competitive Balancing arrangements are designed to result in a least cost Balancing Merit Order from which to meet actual demand. Purposefully or inadvertently overstating a Net Contract Position in a functional Competitive Balancing environment will only impact pricing to the extent that an over contracted Market Generator offers prices to ensure dispatch allowing other Market Participants to benefit accordingly. In an environment where there is no single balancing entity and all Market Generators participate in balancing, competitive forces will act to deliver the most efficient prices, irrespective of contracted positions; as such the requirement for continuing to maintain these rules should be reviewed.

#### **Miscellaneous Comments**

A number of miscellaneous comments referring to typos and other issues of a more minor nature are included in the Attachment.

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### **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.**

Synergy, not being a Market Generator, will not need to make balancing submissions and so is not in a position to make any comment on the costs faced by Market Generators in implementing this rule change. However, Synergy understands that some information previously published will no longer be and that new information will be published materially altering the operation of the market. To date Synergy has not seen nor been invited to comment on the IMO's updated specification of published information and so is not in a position to offer any firm views about the costs of changes to IT and business systems that will be necessary to accommodate the revised specification.

However, Synergy's expectation is that the arrival of Competitive Balancing and LFAS will require Synergy to adapt its systems to the new reporting structures. Given Synergy has not seen the specifications it is not in a position to infer a cost of this change.

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

Synergy perceives that, provided the IMO makes the published information specification available prior to the new year, sufficient time will be available through the trial period to make the changes necessary to implement this rule change.

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## ***Attachment***

### **Miscellaneous Comments**

6.5C.7(a) makes reference to 6.11.1(f) – the latter is undefined; is 6.11.1(a) the correct reference?

Is there a conflict between 6.11.1(a) which mandates the inclusion of Non-Scheduled Generator output in a Resource Plan and 6.11.2(c) which lists data valid for inclusion in a Resource Plan but does not include Non-Scheduled Generators? A possible solution would be to amend 6.11.2(c) as follows:

“it must include only Dispatchable Loads or Scheduled Generators and Non-Scheduled Generators, but the latter only where the submitting Market Participant has both Scheduled and Non-Scheduled Generators.”

6.12.1(a) refers to Dispatch Instructions to increase or decrease output in the context of Dispatchable Loads and Demand Side Programmes; as Demand Side Programmes cannot be instructed to increase load, to clarify this suggest the words “as applicable” be appended to the end of the clause.

6.12.1(c)i deals with the Non-Balancing Dispatch Merit Order for an increase in consumption and requires that it include Demand Side Programmes – this is incorrect as Demand Side Programmes cannot be instructed to increase consumption – remove the reference to Demand Side Programmes which would then make this clause consistent with 6.12.1(e)i.

6.17.10(a) makes reference to 3 MWh, suspect this should be 3 MW.

7.6A2(c)i refers to the aggregate forecast output of other Market Participants’ Intermittent Generators; would the object forecast to be provided by System Management be more useful to Verve Energy if the it were to exclude the aggregate forecast output of all Intermittent Generators i.e. the resultant forecast informs Verve Energy of the requirements expected from its Balancing Portfolio but adjusted to exclude Verve’s own Intermittent Generators?

7.10.2A restricts non-compliance to solely a Forced Outage, in this context the question arises as to circumstances of non-compliance due to a Consequential Outage and therefore whether this should also be included as a justifiable reason for non-compliance?

7.11.1 – in the context of the Balancing Market, is reference to Resource Plans still relevant?

7.13.1(dB) – is the required information in respect of SOI and EOI Quantities for each Trading Interval to be listed by Facility or summed across all Facilities?

7.13.1(eD) – reference to Operating Instruction should be removed as quantity of consumption pursuant to an Operating Instruction is not a settlement quantity under 6.17.6(c)i as the WEM rules no longer allow dispatch payments to be made to Demand Side Programmes in connection with Network Support Contracts i.e. Demand Side Programmes can only receive Dispatch Instruction payments from the WEM in connection with a dispatch related Reserve Capacity Obligations and such dispatch is made as a Dispatch Instruction, not an Operating Instruction.

7A.1.15 – incorrect reference in the clause; should be 7A.1.14, not 7A.1.15. Also, in the interests of transparency, the IMO may wish to consider including an obligation to consult with the market prior to changing the point in time determined under clause 7A.1.14.

7A.3.5(a) – consider inserting “under the clause 7A.3.2” after the words “determine the Balancing Merit Order” to improve clarity.

7A.3.6(b) – clarity would be improved by including the words Relevant Dispatch Quantity as follows:

(b) the Relevant Dispatch Quantity, which is the sum of the EOI Quantities.....

7A.3.7 – Does “Pricing BMO” need to be defined in the Glossary or in this clause?

7A.3.7(c) – Given this clause requires the provisional Balancing Price to be published on the Market Web Site, then this should be a term defined in the Glossary. Also suggest that Price be expressed in lower case as it does not appear to be a defined term.

Clause 7A.3.7 requires the IMO to publish the provisional Balancing Price (for a Trading Interval where it has been provided with information under 7A.3.6) by the end of the Trading Day following the Trading Day to which it applies i.e. within 24 hours of the end of the relevant Trading Day. Clause 7A.3.10 requires the IMO publish the Balancing Price for each Trading Interval in a Trading Day by no later than 38 hours of the end of that relevant Trading Day. Given that the provisional Balancing Price may be amended within 14 hours after being published, clarity would be enhanced if the provisional Balancing Price was published with the prefix “Provisional”, which is then removed once clause 7A.3.9 applies or the Balancing Price is published under clause 7A.3.10. Information users observing the prefix “Provisional” would then be on notice that the price may change, however, once the prefix is removed, they would know that the price is firm and is not subject to further change.

7A.3.8 – insert “provisional” before the words “...Pricing BMO accordingly”.

7A.3.12(a) – appears that the work “recent” is missing from the sentence:

“...the most [recent] Relevant Dispatch Quantity...”; the suggested inclusion is shown in square brackets.

7A.3.12(c) – formatting error: insert “semicolon and” after (a) with the appropriate carriage returns.

7A.3.16(a)(ii) –reference to 7A.3.16(a) should be 7A.3.16(a)(i).

7A.3.17A – reference to 7A.3.17A should be 7A.3.17.

7B.2.3 – typo: remove ] after 6:00PM.

9.8.1 – typos: A. Incorrect reference to 6.14.2 in Balancing Price definition; in fact a better definition, that allows for the provisional Balancing Price to be amended is:

“Balancing Price (d,t) is the Balancing Price for the Trading Interval t of Trading Day d published in accordance with clause 7A.3.10.”

B. Insert “and” between “...for each of the Market Participant’s Scheduled Generation Facilities **and** Non-Scheduled Generation Facilities for that ...”

9.9.2 – Please review all definitions for relevance and accuracy under this section as there appears to be numerous errors.

9.9.3 - Contracted Spinning serve should be Contracted Spinning Reserve

9.18.3.ix.4A Delete Non-Compliance Cost settlement.