
Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2008_38 Least cost determination of Ancillary Services contracts

Submitted by

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Submission

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

Under the existing Market Rule 3.11.8(b), System Management may enter into an Ancillary Service Contract with a Rule Participant other than Verve for Spinning Reserve or Load Following Ancillary Services only where:

- it does not consider that Verve's Registered Facilities are sufficient to meet the Ancillary Service Requirements; or
- an Ancillary Service Contract provides a less expensive alternative to Spinning Reserve or Load Following Ancillary Services provided by Verve's Registered Facilities.

Alinta understands that the intent of RC_2008_38 is to modify the Market Rules to achieve the following outcomes.

- Energy that is provided for Spinning Reserve or Load Following under an Ancillary Service Contract by a Rule Participant other than Verve is settled at the Marginal Cost Administrative Price (MCAP). System Management has indicated this would ensure consistency with the manner in which energy provided by Verve for Spinning Reserve and Load Following Ancillary Services is currently settled.

- In assessing whether an Ancillary Service Contract provides a less expensive alternative to Spinning Reserve or Load Following Ancillary Services provided by Verve's Registered Facilities, System Management would be required only to consider whether the availability payment to a Rule Participant under the Ancillary Service Contract was less than that which would be payable to Verve under the Market Rules.

By clarifying the basis on which Spinning Reserve or Load Following Ancillary Services provided by Rule Participants other than Verve would be settled, the Market Rules may better facilitate System Management determining whether there are less expensive alternatives to Spinning Reserve and Load Following Ancillary Services currently provided by Verve's Registered Facilities.

However, if the underlying intent behind RC_2008_38 is to more effectively support future competitive tendering for these Ancillary Services (that is, to encourage and support Rule Participants other than Verve offering to provide Spinning Reserve or Load Following Ancillary Services), it is unclear that such an outcome would be better facilitated. This is for the following reasons.

- RC_2008_38 specifies only that the availability payment is to be based on input parameters determined under Market Rule 3.13.3. It does not clearly identify the basis on which availability payments for Spinning Reserve or Load Following Ancillary Services provided by Rule Participants would be determined.
- Given energy provided for Spinning Reserve or Load Following under an Ancillary Service Contract by a Rule Participant other than Verve would be settled at MCAP (which cannot be forecast with any degree of certainty), it is unclear whether the amended Market Rules would provide the level of certainty that would be likely to be required by Rule Participants in order to offer to provide Spinning Reserve or Load Following Ancillary Services in a competitive market.

For these reasons, it is unclear that there are benefits associated with RC_2008_38 other than at the margin for System Management. Alinta considers that the Market Rules as amended by RC_2008_38 would not provide Rule Participants with the level of clarity and certainty that would be required in order to competitively offer to provide Spinning Reserve or Load Following Ancillary Services.

Consequently, if the underlying intent is to support the emergence of a competitive market for Ancillary Services, Alinta considers that a more comprehensive review should be undertaken of the basis on which Ancillary Services are currently procured and settled, with a view to determining what changes are necessary to support the emergence of a competitive market for the provision of Ancillary Services.

For these reasons, Alinta considers RC_2008_38 should not be approved as currently proposed.

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

Alinta considers no evidence has been provided to suggest that RC_2008_38 would better facilitate the achievement of the 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.

As noted above, Alinta considers RC_2008_38 should not be approved as currently proposed.

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

As noted above, Alinta considers RC_2008_38 should not be approved as currently proposed.
