
Wholesale Electricity Market Rule Change Proposal Submission Form

<RC_2009_23> System Management Review Period Budget Coverage Amendment – First submission

Submitted by

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Submission

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

System Management supports the general intent of the ERA's proposed rule change.

System Management notes that the rule change provides that Cost_LR, being estimates of the cost of providing Load Rejection Reserve and System Restart Ancillary Services, is to be proposed by System Management once every three years. It is appropriate that System Management submits the proposed values, given that System Management is the contracting party for such services.

However, System Management interprets the proposed rule change as making provision for the submission of Cost_LR just once every three years. In the event that the costs of providing Ancillary Services are revised mid-period (for example, due to the need to enter into unforeseen contracts following an Ancillary Service shortfall), then the rule change did not appear to make provision for Cost_LR values to be adjusted.

System Management raised this issue with the ERA and the IMO. There was support to incorporate an adjustment mechanism within the rule change, to cater for the need to adjust Cost_LR values within period.

System Management understands that the IMO has drafted such an adjustment mechanism, and may raise this in its draft report on the rule change.

The adjustment mechanism included by the IMO is understood to contain the following provision, when System Management proposes revised Cost_LR values:

The Economic Regulation Authority may undertake a public consultation process, which may include publishing an issues paper and may issue an invitation for public submissions.

In System Management's view, guidance should be placed around the exercise of the ERA's discretion as to whether to engage in a public consultation process.

For example, we note that similar guidance has been included within clause 3.11.8D:

*The Economic Regulation Authority may undertake a public consultation process in determining whether to approve the Ancillary Service Contract for Dispatch Support Service. **In determining whether to undertake a public consultation process, the Economic Regulation Authority must have regard to the terms of the Ancillary Service Contract, including the length of its intended operation and whether a need exists to expedite the approval process.** [Emphasis added]*

A similar framework should be incorporated to guide the ERA's consideration whether to conduct public consultation on revised Cost_LR values.

We would suggest that factors the ERA should have regard to in this case could be:

- the materiality of the variation;
- the length of any new contract's intended operation; and
- the need to expedite the approval process.

This inclusion clearly creates transparency, a level of guidance and certainty around the factors that the ERA would consider in deciding whether a public consultation process is necessary. It is submitted that the ERA should welcome additional transparency within the market framework.

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

In System Management's opinion, the proposed Rule Change with the amendments suggested above, would support 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.

The rule change does have implications for System Management – potentially more frequent applications to the ERA to approve Cost_LR – but the risks of being “stuck” with an inappropriate Cost_LR value outweighs this.

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

This does not apply.
