

Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2010_04 Settlement in Default Situations

Submitted by

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Submission

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

Background

On 7 April 2010, the Independent Market Operator (IMO) proposed the rule change "RC_2010_04 Settlement in Default Situations". This rule change proposal sought to:

1. Address problems with the payment calculations in the Default Levy clause, which had been identified as having the potential of making both undue over and under payments to Market Participants.
2. Provide clarification to the references made to "Metered Schedules" and "Meter Data" in the Default Levy clause (all references should be to Metered Schedules).
3. Amend the definition of "Metered Schedule" so the definition refers directly to the clause which defines "Metered Schedule" rather than via an indirect reference which is currently the case.
4. Change the annual reconciliation calculation of the Default Levy to be on a Capacity Year Basis rather than a Financial Year basis.

In its response to the first consultation period Perth Energy sought confirmation from the IMO that there would not be any transitional issues related to changing the annual reconciliation calculation period. The IMO has indicated that following further internal review, it has identified that it no longer believes it is necessary to change the calculation period. The IMO has therefore removed the fourth element from the original rule change proposal.

The IMO also conducted further analysis in the period following the first round consultation and identified a number of additional amendments which it is now consulting on.

Amended Change Proposal

In addition to the three elements that have been retained from the original change proposal the IMO has proposed the following additional changes to be incorporated within the amended rule change proposal:

- Corrections to clause 9.18.3 to clarify that Notional Wholesale Meter data values are only provided to Synergy, as well as minor re-numbering and re-formatting of sub clauses.
- Splitting clause 9.24.3 into two clauses to address the liability of the IMO when there are insufficient cleared funds in one clause; and to deal separately with how the IMO must apply the Total Amount in these situations in a new clause 9.24.3A.
- Addressing a further potential for overpayment in clause 9.24.3A which may occur in situations where a Market Participant may both be owed a payment (for example, for providing ancillary services) and owe monies (for example, related to generation) in relation to the default settlement. The potential overpayment may occur because the current wording of the Market Rules places an absolute obligation on the IMO to pay out the amounts listed in clause 9.24.3A regardless of any money owed to the IMO. The IMO has proposed to remedy this by limiting any payments made to Market Participants to the total net amount that would be paid, had no default occurred.
- Re-prioritise payments under clause 9.24.3(a) so that payments to the entities listed in the clause are pro-rated equally in the case of insufficient funds being available. The current wording is unclear on any prioritisation in the case of insufficient funds being available.
- Correct clause 9.24.3(a)(i) to correctly refer to “Service Fee Settlement Amounts” rather than the current incorrect reference to “Revenue Requirement Settlement Amounts to the IMO, System Management and the Economic Regulation Authority...”.
- Amend clause 9.24.4 and 9.24.8 to allow distribution of any late payments or Default Levy amounts to those entities listed in clause 9.24.3(a) as well as 9.24.3(b). The current wording only allows late payments or Default Levy amounts to be distributed to those entities listed in clause 9.24.3(b).
- Avoid any ambiguity in relation to the Metered Schedules used to calculate the Default Levies by using the same definition for all default calculations being the

Metered Schedules for “the most recent Trading Month for which Non-STEM Settlement Statements have been issued” (change to clause 9.24.5).

- Amend clauses 9.24.5 and 9.24.9 so that any Market Participant with an unrecovered Payment Default is excluded from being asked to contribute to any further Default Levy amounts. The rationale for this change arise from the circumstances that a Market Participant with an unrecovered Payment Default is unlikely to be able to contribute to a Default Levy. Such circumstances will in turn give rise to further Default Levies needing to be raised.
- Ensure that the sum of contribution ratios sum to one and therefore that the entire Default Levy can be raised by amending the current wording of clause 9.24.5 to only include the generation/consumption of Market Participants that are contributing to a Default Levy in the calculation of contribution ratios (and excluding generation/consumption of Market Participants that cause the need for the levy).
- Insert a new clause 9.24.8A to address how to distribute Default Levy amounts that are paid late. The new clause stipulates that these late payments should be distributed in the same way as Default Levy amounts paid in by the due date.

Perth Energy’s Views

Perth Energy supports the IMO’s decision to remove the fourth element of the original rule change proposal and retain the current practice of performing the reconciliation calculation for the Default Levy on a Financial Year basis.

Perth Energy also supports all of the additional amendments that the IMO has identified following the initial consultation on the basis that these amendments act to provide further clarity to the Default Levy calculations or rectifying what could be classified as manifest errors, such as is the case with the contribution ratios potentially not summing to one.

Perth Energy notes that there are a very significant *number* of changes between the original change proposal and the revised draft presented in the draft rule change report. On this occasion the effect of the changes are in Perth Energy’s view not significant and also do not depart from the intent of the original rule change proposal. In fact, Perth Energy considers the amended rule change proposal better addresses the Market Objectives¹ compared to the original version of the change proposal.

¹ The objectives of the market are:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- (c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.

Perth Energy queries whether the rule change process defined in sections 2.6 and 2.7 of the Market Rules should be reviewed to allow for a third round of consultation in cases where significant changes are made to a rule change proposal following the close of the first round of consultation.

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

Perth Energy continues to support the change on the basis that it would better facilitate the achievement of Market Objectives (a) and (b).

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.

There will be no impact for Perth Energy.

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

Perth Energy does not require any lead time to implement the change.