

Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2010_19 Settlement Cycle Timeline

Submitted by

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Submission

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

Background

The Independent Market Operator (IMO) administers settlement of all transactions in both the STEM and Non-STEM markets. The IMO also administers the dispute and adjustment process for these settlements.

Clause 9.16.3 of the Market Rules provides the timeline for settlements and settlement adjustment runs. For Non-STEM settlements and associated adjustments the Market Rules stipulate the following timeline:

- Non-STEM transactions take place in month n ;
- Settlement of those transactions take place in month $n+2$ (the lag being mainly due to the need to obtain and verify metering data for the month when the Non-STEM transactions occurred);
- The first adjustment run for Non-STEM transactions for month n occurs three months later, that is in month $n+5$; and
- A further three adjustment runs occur in months $n+8$, $n+11$ and $n+14$ respectively.

The IMO has, since Market Commencement, followed the timetable set out in the Market Rules, with the exception that it has not undertaken the final adjustment run in month n+14. The rationale for the IMO's failure to progress the n+14 adjustment is that at Market Commencement it was not practical to undertake such an adjustment and since that time this practice has become entrenched as a standard operating process.

The IMO's analysis suggests that by the time the third settlement adjustment takes place only immaterial adjustments of less than \$100 in total for any Market Participant will result from the adjustment process. This indicates that further significant adjustments are unlikely beyond the third settlement adjustment as metering and other data by this stage are unlikely to change.

Change Proposal

The IMO submitted Rule Change Proposal RC_2010_19 on 25 October 2010 to effect a change to the Market Rules, such that only three settlement adjustments will be required to take place. This will then align Market Rules with the IMO's current standard operating process.

Perth Energy's Views

Perth Energy supports the IMO's Rule Change Proposal. The settlement adjustment process should strike a balance between timeliness and accuracy of settlements for the STEM and Non-STEM markets. The current practice of having one initial settlement run for the Non-STEM market followed by three adjustment runs has worked well to date and Perth Energy does not see any need for enforcing a fourth adjustment run as required by the Market Rules as they are currently written.

Perth Energy agrees that the Market Rules should be amended, consistent with Rule Change Proposal RC_2010_19, to align the Market Rules and the current standard operating process with regards to settlement adjustment runs.

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

Perth Energy considers the change would marginally better facilitate the achievement of Market Objective¹ (d) as the requirement for an unnecessary settlement adjustment run would be removed from the Market Rules.

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.

- 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.**

There will be no impact for Perth Energy.

- 4. 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.