

Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2011_13 Heads of Power for MRCP Market Procedure

Submitted by

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Submission

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

Background

Rule Change Proposal RC_2008_11 "Maximum Reserve Capacity Price" was implemented on 6 August 2008. RC_2008_11 effectively moved the detailed step-by-step procedure for calculating the Maximum Reserve Capacity Price (MRCP) from the Market Rules into a Market Procedure. RC_2008_11 also introduced a new obligation (clause 4.16.3) on the IMO and Market Participants to follow the steps set out in the Market Procedure describing the methodology to calculate the MRCP.

A "Market Participant" is defined as being a Market Generator or a Market Customer in the Market Rules. The Market Procedure setting out the methodology for calculating the MRCP places certain obligations on Western Power to provide information for the calculation. Western Power is neither a Market Generator nor a Market Customer and therefore clause 4.16.3 does not apply to it currently. Western Power is therefore not currently compelled by the Market Rules to comply with the Market Procedure for calculating the MRCP despite that procedure placing obligations on Western Power to provide information for the calculation.

Change Proposal

The IMO submitted Rule Change Proposal RC_2011_13 “Heads of Power for MRCP Market Procedure” on 24 October 2011.

The Rule Change Proposal would amend clause 4.16.3 of the Market Rules by replacing “Market Participants” with “Rule Participants”. Western Power is a Rule Participant and therefore with the proposed changes it would be required by the Market Rules to follow the Market Procedure for calculating the MRCP.

The IMO has submitted the Rule Change Proposal to the Fast Track process due to the change being to correct a manifest error.

Perth Energy’s Views

Perth Energy supports the IMO’s Rule Change Proposal.

Perth Energy agrees that all Rule Participants should be compelled to abide by the Market Procedure for calculating the MRCP.

However, Perth Energy notes that recent changes to the MRCP calculation methodology flowing from the approved Procedure Change Proposal PC_2011_06 “5 Yearly Review of the Methodology and Process for Determining the Maximum Reserve Capacity Price” has changed the methodology for estimating the contribution of the cost of a transmission connection to the MRCP. That contribution will now be estimated on the basis of an averaging of historical actual connection costs rather than being based on a forward looking view (by Western Power) of likely connection costs of new projects. Perth Energy does not support the change that has been implemented and believes it will lead to MRCP calculations moving away from cost reflectivity as the transmission connection component is likely to reflect historical costs rather than the best estimate of forward looking costs to connect to the network.

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

Perth Energy considers the Rule Change Proposal would rectify a manifest error in the current version of the Market Rules. By rectifying the manifest error Perth Energy considers that achievement of Market Objective¹ (a) would be marginally better achieved. Perth Energy has not identified any detrimental impacts on the remaining Market Objectives.

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;

- 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.**

Perth Energy will not be impacted by the proposed changes.

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

Perth Energy will not require any lead time to implement the proposed changes.

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- (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.