
**Wholesale Electricity Market
Rule Change Proposal Submission Form****RC_2012_16: Alignment of Settlement Tolerances and Tolerance
Ranges**

Submitted by

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Submission

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

Background

Following the introduction of the Balancing market on 1 July 2012, the Tolerance Range and Facility Tolerance Range determined for a Facility have applied to both the output of a Market Generator and for the purposes of System Managements monitoring obligations under the Wholesale Electricity Market Rules (Market Rules). Prior to the Rule Change Proposal: Competitive Balancing and Load Following Markets (RC_2011_10) which introduced the Balancing market, the tolerance ranges only applied for the purposes of System Management's monitoring obligations¹.

The extension of the application of the tolerances to a generators output enables a Facility to ramp to a target level in increments, approximating a linear ramp rate over a Trading Interval. The IMO's amended concept of a tolerance range was intended to provide flexibility to Facility's to "on average" meet instructed MW target, MWh requirements and ramp rate levels over an interval and ensures that facilities are not penalised for minor deviations from their Resource Plan.

The IMO has identified an issue under the Market Rules where a generator can deviate away from the requested output amount by an amount which is greater than the Settlement Tolerance but less than the applicable Tolerance Range or Facility Tolerance Range. This

¹ Refer to the Rule Change Proposal: The use of Tolerance Levels by System Management (RC_2009_22) which originally introduced the concept of a Tolerance Range and Facility Tolerance Range into the Market Rules.

creates an outcome whereby a Scheduled Generator that is not strictly following its Dispatch Instruction will be:

- Technically compliant with its Dispatch Instruction through the application of the criteria outlined in clause 7.10.2; and
- Receive Constrained On/Off Compensation for the generation outside of the Settlement Tolerance.

The IMO proposes to set the Settlement Tolerance equal to the Tolerance Range or Facility Tolerance Range for a Facility during a Trading Interval to remove these spurious Constrained On/Off Compensation payments. System Management will be required to explicitly provide through to the IMO a single MW tolerance value for each Scheduled Generator or Dispatchable Load.

Alinta's view

Alinta supports the IMO's proposed solution to ensuring that a Facility that fails to follow its Dispatch Instruction is not entitled to receive Constrained On/Off Compensation.

Alinta however has wider concerns around whether the Tolerance Ranges adequately account for facilities ramping behaviour. It is unclear that the issue being addressed by the IMO has not been borne from wider issues associated with the actual values of the Tolerance Ranges determined by System Management.

The formula used by System Management to determine the Tolerance Range for a Facility was originally developed in mid-2011; prior to the Market Rules being amended to apply tolerances to Market Generator's output. As the formula for determining a Facility's Tolerance Range (which includes a Facility's ramp rate) was developed specifically for the purposes of System Management's monitoring obligations Alinta is concerned that it may not be appropriate for the purposes of Market Generators output, particularly during Trading Intervals where they are ramping.

Alinta notes that the IMO is currently investigating solutions to other issues associated with the concept of tolerance ranges, including establishing a Tolerance Range for the Verve Portfolio. Alinta recommends that as part of these considerations the IMO and System Management undertake an assessment of whether any further modifications to the formula for determining the Tolerance Range for a Facility are required along with more widely ensuring that the concept of tolerance ranges in the Market Rules works as intended. In particular, it may be necessary to have more than one Tolerance Range apply to a Facility for compliance and settlement purposes depending on whether the Facility is ramping during a Trading Interval or not (i.e. dependent on its start and end of interval quantities).

Alinta also recommends that the formula for determining the Tolerance Range should be included into either the Market Rules or relevant Power System Operation Procedure (PSOP). Alinta acknowledges that at the time the original rules relating to the tolerance ranges were developed, System Management was still determining an appropriate formula to use for setting the Tolerance Range for facilities. Given System Management has now identified a formula, albeit potentially requiring some further refinements, this should be included into either the Market Rules or relevant PSOP to ensure that a robust consultation process will be undertaken when refinements are proposed.

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

Alinta considers that the proposed amendments are on the whole consistent with the Wholesale Market Objectives, and will improve market objective (a) by removing inappropriate Constrained On/Off Compensation payments where a Facility is not strictly following its Resource Plan.

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.

Alinta would require minor changes to its business processes as a consequence of adopting the changes. These fall within normal operating expenditure.

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

Alinta would be able to implement the proposed changes immediately.