



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

Under the Competitive Balancing and Load Following Ancillary Service Markets implemented in July 2012, Balancing Facilities have a Maximum Theoretical Energy Schedule and a Minimum Theoretical Energy Schedule determined for each generator. This change to the previous balancing regime recognises that a Balancing Facility, when ramping up or down over a Trading Interval, will not achieve a pre-determined level of sent out energy, and that it can only (at best) achieve a level of sent-out energy within a range specified within the Theoretical Energy Schedules.

Occasionally, for operating reasons, System Management can require a Balancing Facility to operate outside the Balancing Merit Order. A Balancing Facility could be instructed to produce at a higher or lower level than would be dictated by the Balancing Merit Order, with the Balancing Facility then entitled to receive, respectively, either a Constrained On Payment or a Constrained Off Payment.

In either case, to receive its payment entitlements a Balancing Facility must operate within its Facility Tolerance Range or the more general Tolerance Range set by System Management. At present these arrangements are dealt with under the Upward Out of Merit Generation and

Downward Out of Merit Generation mechanisms. Within these mechanisms, out of merit quantities are set to zero if they are smaller than the Settlement Tolerance.

In the situation where the Settlement Tolerance is smaller than the Facility Tolerance Range or the more general Tolerance Range, a Balancing Facility could operate at a level that will result in an Upward Out of Merit Generation or a Downward Out of Merit Generation, and therefore be entitled to a Constrained On or Constrained Off Payment.

Change Proposal

The IMO proposes to set the Settlement Tolerance equal to the Facility Tolerance Range or, where determined, the more general Tolerance Range. It is noted that System Management has discretion to set both a Facility Tolerance Range and the Tolerance Range.

The IMO also proposes to progress RC_2012_16 as a Fast Track Rule Change as it seeks to correct a manifest error.

Perth Energy's Views

Perth Energy supports the IMO's rule change proposal.

Perth Energy agrees that the errors identified are clearly manifest and not intended to be part of the Market Rules. If left uncorrected they could have serious impacts on the operation of the WEM.

Perth Energy, therefore, also agrees with the IMO's proposal to progress the Rule Change Proposal as a Fast Track Rule Change Proposal.

Perth Energy notes that the amendment does not affect Non-Scheduled Generators.

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

Perth Energy considers that the proposed changes to the Market Rules would remove manifest errors that would otherwise result in the unreasonable pay payment to Scheduled Generators of Constrained On and Constrained Off Compensation when operating within their tolerance levels. Rectifying the obvious errors would in Perth Energy's opinion therefore clearly facilitate achievement of Market Objective (a) and bring improved economic efficiency and system security.

Perth Energy has not identified any detrimental impacts on the remaining Market Objectives.

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- 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.

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- 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.