



Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2012_16 Alignment of Settlement Tolerances and Tolerance Ranges

Submitted by

Name:	Jacinda Papps
Phone:	(08) 9424 1917
Fax:	(08) 9424 1818
Email:	Jacinda.papps@verveenergy.com.au
Organisation:	Verve Energy
Address:	GPO Box F366, Perth WA 6841
Date submitted:	7 December 2012

Submission

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

While Verve Energy understands that this Rule Change Proposal does not apply to the Verve Energy Balancing Facility, it notes that any Amending Rules arising from this proposal would apply to any Verve Energy Standalone Facilities; as such Verve Energy would like to make the following submission.

Verve Energy agrees with the Independent Market Operator (IMO) that it is a perverse outcome for a Facility to receive Constrained On/Off Compensation as a result of not fully complying with Dispatch Instructions (i.e. minor deviations from Resource Plans due to the fact that Scheduled Generators are unable to ramp up or down in a perfectly linear manner).

Verve Energy also agrees, in principle, with the IMO's proposed solution, whereby a Facility's Settlement Tolerance is aligned with its Tolerance Range or Facility Tolerance Range (as applicable). However, Verve Energy is concerned that the current formation of the Tolerance Range or Facility Tolerance Range may not be appropriate given the intent of the Tolerance Range concept when first developed. As outlined below, Verve Energy considers that further analysis is required to ascertain whether the current formation of the Tolerance Range is fit for purpose. As such, in the absence of sufficient supporting information, Verve Energy does not support the progression of this Rule Change Proposal.

In 2009, System Management developed a Rule Change Proposal: The use of tolerance levels by System Management¹ which sought to amend System Management's reporting obligations, by expressly allowing for the use of a Tolerance Range when reporting deviations by Market Participants from their Resource Plans or Dispatch Instructions. It is important to note that the Tolerance Range concept was specifically to allow for a tolerance regarding System Management's reporting obligations and did not change a Market Participant's compliance obligations.

During August and September 2011, and in accordance with the Amending Rules, System Management consulted with Rule Participants when setting the inaugural Tolerance Range. Verve Energy would like to reiterate that this consultation was undertaken on the basis that the Tolerance Range was purely a reporting tolerance for System Management.

During 2011/12 the IMO progressed a Rule Change Proposal: Competitive balancing and Load Following Market². As part of this process, the IMO expanded the Tolerance Range concept to include a "dispatch tolerance", whereby the intent was to provide some flexibility for Market Participants to "on average" meet instructed MW target and ramp rate levels over an interval.

Therefore, the Tolerance Range concept now applies to all Facilities for the purposes of:

- Defining the maximum instantaneous deviation allowed from the levels defined in a Dispatch Instruction; and
- System Management's reporting of alleged breaches of clauses 7.10.1 or 3.21 of the Market Rules.

This Rule Change Proposal seeks to align a Facility's Settlement Tolerance with the Tolerance Range (which was initially set as a reporting tolerance for System Management) whereby any movement within the Tolerance Range will not be allocated Constrained On or Off Compensation.

Verve Energy is concerned that the Tolerance Range concept, initially developed as a reporting tolerance, is now being used for an entirely different purpose. Verve Energy has not been convinced that the current Tolerance Range is appropriate as a "dispatch tolerance" and questions what analysis the IMO has done to support this solution. Verve Energy is concerned that, in absence of any supporting analysis, the current formation of the Tolerance Range could very well be too high as a "dispatch tolerance", which would lead to Market Participants not receiving Constrained On/Off Compensation that they are entitled to.

¹ See www.imowa.com.au/RC_2009_22 for more information.

² Available on the IMO website: www.imowa.com.au/RC_2011_10

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

Verve Energy considers that the intent of the Rule Change Proposal may be consistent with the achievement of the Wholesale Market Objectives. However, to the end that the Tolerance Range has not been proven to be fit for this purpose, Verve Energy considers that the proposed amendments may be detrimental to the achievement of Wholesale Market Objective (a) whereby Market Participants may not received Constrained On or Off Compensation due to a potentially inappropriate tolerance band.

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.

N/a

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

N/a
