
Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2012_19: Constrained On/Off Compensation for Non-Scheduled Generators

Submitted by

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Date submitted:	6 December 2012

Submission

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

Background

Under the new Balancing market arrangements a Balancing Facility that is dispatched “out of merit” is generally entitled to receive Constrained On/Off Compensation. This ensures that a Facility is appropriately remunerated for adjusting the quantity of energy its produces in response to a request from System Management.

A Facility will receive Constrained On/Off Compensation where its actual output falls outside, by more than the Settlement Tolerance, the range of MWh output for which the Balancing Price is considered to provide appropriate compensation. The Minimum Theoretical Energy Schedule (Minimum TES) and Maximum Theoretical Energy Schedule (Maximum TES) are calculated by the IMO to define the range where the Balancing Price will adequately compensate a Facility.

For a Non-Scheduled Generator the Maximum TES depends on how the Facility’s offered price compares to the Balancing Price.

- Where the price offered in the Facility’s Balancing Submission is less than or equal to the Balancing Price, Maximum TES is set to the Facility’s Sent Out Metered

Schedules. This reflects that the Balancing Price is sufficient for all the Facility's output and so no constrained on payments are required.

- Where the price offered in the Facility's Balancing Submission is greater than the Balancing Price, Maximum TES is calculated as the quantity of energy that the Facility would be expected to generate if it was dispatched in accordance with the Balancing Merit Order. This reflects that the Facility would not have been dispatched given the Balancing Price.

The Minimum TES for a Non-Scheduled Generator is determined depending on whether the Facility was dispatched downwards out of merit in the Trading Interval by System Management.

- If the Facility was dispatched downwards, Minimum TES is set to System Management's estimate of the MWh output that the Facility could otherwise have achieved.
- If the Facility was not dispatched downwards, Minimum TES is set to the Facility's Sent Out Metered Schedules. This reflects that the Facility was not dispatched downwards and so shouldn't be compensated.

The IMO has identified an issue which spurious Constrained On/Off Compensation being provided to Non-Scheduled Generators as result of using

- SCADA data to determine the TES value; and
- Interval meter readings to measure the actual output of the Facility.

Although both measures reflect the same physical quantity, SCADA data is generally acknowledged to be less accurate. Where the inaccuracy between the two measures exceeds the Settlement Tolerance than a Non-Scheduled Generator will inappropriately receive Constrained On/Off Compensation.

To address this issue the IMO proposes to amend:

- clause 6.17.3A(b) to set a minimum value of zero for the ConP1 price; and
- clause 6.16A.2(b) to set the Downwards Out of Merit Generation to zero unless System Management has indicated that it dispatched a Facility downwards out of merit.

These changes will ensure that Constrained On/Off Compensation is not allocated to a Non-Scheduled Generator due to variations between SCADA/interval metering readings.

Alinta's view

Alinta agrees that the identified issue requires a fast resolution given the significant financial impacts since the start of the Balancing market on 1 July 2012 and supports the IMO's proposed solution. To have paid approximately half a million dollars to Non-Scheduled Generators during this time simply as a result of discrepancies between SCADA and interval meter data appears perverse. Alinta notes the IMO's decision to not comply with the Market

Rules and amend the Settlement Tolerance for two facilities meant the market avoided an additional \$1.8 million in these compensation payments.

Alinta's specific comments are as follows:

Decision by the IMO to breach the Market Rules

While Alinta supports the IMO's decision to not pay the two participants in this circumstance, Alinta is unclear of the decision making process applied by the IMO. Alinta requests further clarification of the consultation undertaken by the IMO directly with the two affected participants and industry on this issue prior to the IMO having made its decision to not comply with the Market Rules. In the past Alinta understands the IMO has discussed such matters with the Market Advisory Committee which Alinta believes is an important part of a transparent and fair process.

Alinta also requests clarification of the rationale for the decision having not been consistently applied to all impacted facilities.

Alinta appreciates the inclusion of an overview of the monetary impacts of the identified issue as it provided important details on the magnitude and extent of the issue. Alinta however considers that there would have been value to submitting parties if the Rule Change Proposal had included these further details around the IMO's decision to not comply with the Market Rules.

More comprehensive solution

Alinta supports the urgent progression of RC_2012_19 given that it will remove large inappropriate Constrained On/Off Payments accruing under the Market Rules. Alinta notes the IMO's intention to progress a more comprehensive solution to the wider issues associated with using SCADA to determine TES, and suggests that development and progression of a solution by the IMO should occur as a matter of urgency¹. As a principle TES quantities should be subject to change where there are significant differences between SCADA and Metering Data. This will ensure Market Participants are appropriately compensated for being dispatched out of merit.

As a guiding principle Alinta suggests that going forward the IMO should consider the associated issues with the calculation of TES more broadly given the complexities of the market and significant interdependencies between the various aspects of the markets design. This will ensure that unintentional outcomes will not be introduced that could be potentially inconsistent with the Wholesale Market Objectives.

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 (b) by removing uncertainty with respect to constrained on/off compensation for Non-Scheduled Generators. Alinta notes the IMO's comments that under the current rules negative Constrained On Compensation

¹ Alinta considers this wider issue should be included on the IMO's Rule Change Issues Register as a high priority and will therefore be progressed within three months of having been logged.

due to SCADA/interval meter reading variations will generally outweigh any windfall gains from Constrained Off Compensation, thereby potentially discouraging participation of Non-Scheduled Generators in the market.

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 not require any changes to its IT systems or business systems, nor incur any organisation costs as a consequence of adopting the changes.

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

The changes to the Market Rules contemplated by RC_2012_19 would not require Alinta to change its IT or business systems, and hence there is no specific period of time that would be required to implement the changes arising from the Rule Change Proposal.

Given the significant cost impacts to the market Alinta recommends that the proposed changes commence as soon as possible.