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## Wholesale Electricity Market Rule Change Proposal Submission Form

### RC\_2012\_19 Constrained On/Off Compensation for Non- Scheduled Generators

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#### Submitted by

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<b>Date submitted:</b>	7 December 2012

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#### Submission

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

Verve Energy understands that this Rule Change Proposal is to correct a manifest error in the Wholesale Electricity Market Rules (Market Rules) which, under the current drafting, lead to Constrained On and Constrained Off compensation to be allocated to a Non-Scheduled Generator when the Facility did not operate out of merit. Verve Energy considers that this is clearly an unintended consequence and as such, supports this Rule Change Proposal.

In noting this support, Verve Energy would like to make the following observations.

##### **Progression of the long term solution**

Verve Energy notes that this Rule Change Proposal is a short-term solution, and that the Independent Market Operator (IMO) also proposes to develop a more robust, long term solution that includes, among other things, the ability for the recalculation of Theoretical Energy Schedule (TES) values, consistent with other settlement quantities.

Verve Energy considers that the status quo, whereby TES quantities are unable to be disagreed with or disputed, is inappropriate and could result in Market Participants not being appropriately compensated for providing a service. Verve Energy considers that this is a

sub-optimal market outcome, and as such, Verve Energy strongly encourages the IMO amending the Market Rules to allow for TES quantities to be recalculated. Therefore, Verve Energy strongly recommends that the IMO progress a Rule Change Proposal to this effect as a high priority.

### **IMO adjusting settlement tolerances in breach of the Market Rules**

In both the Rule Change Proposal and at the 14 November 2012 Market Advisory Committee (MAC) meeting, the IMO noted that it had, in breach of the Market Rules, adjusted a number of Facility's Settlement Tolerances to avoid "significant payments to parties that appeared perverse"<sup>1</sup>.

Verve Energy is generally concerned with the IMO altering settlement outcomes per se and even more so doing this for just one or two participants - even when the outcomes for those individual participants seem perverse. Verve Energy considers that this has the potential to undermine the market and undermine confidence in the Market Operator.

Verve Energy notes that the Fast Track Rule Change Process in the Market Rules is designed to, among other things, deal with rules changes to correct manifest errors. It should be noted that the IMO's market summary document notes that "In an extreme circumstance the fast track process could be completed in as little as a [sic] 5 Business Days"<sup>2</sup>.

It would be Verve Energy's strong preference that issues such as this be resolved utilising the rule change processes in the first instance as opposed to distorting settlement outcomes. However, if the IMO was facing a delay in progressing a Rule Change Proposal for any reason, Verve Energy recommends that the IMO respond in a more transparent manner. For example convene a meeting of the MAC or hold an industry workshop to discuss the issues and canvass an appropriate solution. Finally, at the very least, Verve Energy considers that any solution should be applied to all participants, not just one or two.

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

Verve Energy considers that the Rule Change Proposal is consistent with the Wholesale 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.**

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

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

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<sup>1</sup> Pg 6, MAC Meeting Minutes, 14 November 2012.

<sup>2</sup> Pg 15, Wholesale Electricity Market Design Summary.

Verve Energy does not need to undertake any actions to implement this Rule Change Proposal.

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