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**Wholesale Electricity Market  
Rule Change Proposal Submission Form****RC\_2012\_25: Constrained On/Off Compensation removal where a  
Facility is non-compliant with Dispatch Instructions**

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**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**

The IMO is responsible for managing the prudential and settlement processes for the Wholesale Electricity Market (WEM) in accordance with the Wholesale Electricity Market Rules (Market Rules). Settlements involve three main processes:

- STEM transactions which are settled on a weekly basis;
- Non-STEM transactions which are settled on a monthly basis; and
- Adjustment to settlements which are made at least once every three months via an adjustment process that corrects both STEM and Non-STEM settlements.

As the STEM is a forward market the IMO does not require Meter Data for settlement purposes. Non-STEM invoices however include allocation of costs for Ancillary Services, Balancing, Reconciliation, Reserve Capacity and Market Fees which require the availability of Meter Data.

The adjustment to settlements processes result in changes to the settlement position of Market Participants after accounting for changes in Metering Data used for settlement and as a result of the resolution of Notices of Disagreements and Disputes.

The IMO has identified an issue that where a Market Generator has been non-compliant with a Dispatch Instruction (as determined following a compliance investigation), while the IMO has the ability to reduce its out of merit generation to zero to ensure compensation<sup>1</sup> is not provided, the current processes for settlements does not allow for this adjustment to occur after the initial settlement run.

The IMO notes that its ability to recover Constrained On/Off Payments where a participant is non-compliant was assumed to be obtainable through the settlement adjustment rules when the Balancing market was first introduced. As a result of this current issue there is uncertainty for market participants currently as to their settlement position and the level of interest accruing on payments that may be recovered is increasing. The IMO consequently proposes to amend the current settlement processes to enable adjustments to a Market Participants Settlement Statement where it has not adequately or appropriately complied with a Dispatch Instruction.

### **Alinta's views**

Alinta supports the IMO's proposal to enable amendments to a Market Participant's Settlement Statement where it has not complied with Dispatch Instructions. Alinta also supports the IMO's decision to fast track the proposed amendments given that it was a manifest error in the Amending Rules that commenced on 1 July 2012.

While Alinta is supportive of the proposed amendments it is concerned that a number of piecemeal changes to the Market Rules that have been progressed recently that do not necessarily address the underlying market design issues. In particular, Alinta is concerned that there is currently a lack of clarity in the Market Rules around a Market Participant's requirements to be compliant with a Dispatch Instruction. These issues appear to stem from the recent application of the concept of a Tolerance Range or Facility Tolerance Range (as applicable) to Market Generators compliance under the Market Rules. Alinta looks forward to working directly with the IMO to address this broader issue over the upcoming months.

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<sup>1</sup> Provided via constrained on or constrained off payments.