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## Wholesale Electricity Market Rule Change Proposal Submission Form

### RC\_2013\_03 LFAS Facility Definition

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#### Submitted by

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#### Submission

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

#### Background

On 1 July 2012 the Market Rules were amended to allow for a competitive Balancing and Load Following market in the Wholesale Electricity Market (WEM). Prior to this change, Verve Energy was the sole provider of a number of ancillary services, including the Load Following Ancillary Service (LFAS). With the amendments introduced on 1 July 2012 other Market Generators can compete to provide LFAS.

With the amendments to the Market Rules introduced on 1 July 2012 a distinction is made between Verve Energy's "Stand Alone Facilities" and the facilities included in the "Verve Energy Balancing Portfolio (VEBP).

Verve energy continues to have a special role in LFAS provision as a provider of last resort if insufficient quantities are procured through the competitive process or insufficient volumes of the service are available close to real time due to for example a forced outage for a Facility that was scheduled to provide LFAS. Verve Energy may provide LFAS from any of its Facilities that fulfil the technical criteria regardless of whether the Facility is within the VEBP or is a Stand Alone Facility.

## Issue

“LFAS Facility” is a defined term in the Market Rules and is used throughout the Market Rules, and in particular in chapter 7B, to refer to any Facility participating in the provision of LFAS. The term is used extensively in the Market Rules to refer to matters that apply collectively to LFAS Facilities, such as providing LFAS Submissions to the IMO.

The current definition of “LFAS Facility” expressly excludes the VEBP Facilities. The IMO has identified that this exclusion leads to some absurd outcomes and considers that it is clear that the term was always intended to cover all Facilities participating in LFAS, including the VEBP Facilities.

For example, the Economic Regulation Authority (ERA) has a role in monitoring price submissions by LFAS Facilities (clauses 7B.2.15, 2.16.9(b)(iii), 2.16.9B(b) and 2.16.9G(c)) for abuse of market power. With the current exclusion of VEBP Facilities from the definition of “LFAS Facilities” the ERA oversight does not extend to submissions by VEBP Facilities.

## Change Proposal

The IMO submitted Rule Change Proposal 2013 03 “LFAS Facility Definition” on 10 April 2013.

The IMO proposed to amend the definition of “LFAS Facilities” to include the VEBP Facilities. The IMO also proposed a number of consequential changes throughout chapter 7B of the Market Rules. Most of these consequential changes were to remove references to the VEBP Facilities where reference was made to “LFAS Facilities and VEBP Facilities”. It would no longer be necessary to specifically mention the VEBP Facilities when these are included in the definition of LFAS Facilities.

The IMO also proposed to progress the Rule Change Proposal using the Fast Track provisions of the Market Rules. The IMO’s justification for using the Fast Track provisions was that the proposal is to rectify a manifest error. Clause 2.5.9(b) of the Market Rules expressly allows for corrections of manifest errors via a Fast Track Rule Change.

## Perth Energy’s Views

Perth Energy supports the proposed changes to the Market Rules.

Perth Energy agrees with the IMO’s assessment that the exclusion of VEBP Facilities from the definition of LFAS Facilities leads to a number of illogical outcomes, including relief from ERA oversight in the bidding behaviour for these Facilities. In our view it would amount to positive discrimination of the VEBP Facilities to continue to exclude them from the definition of LFAS Facilities. The current wording of the Market Rules may also be detrimental to competition in generation in the WEM. Perth Energy therefore welcomes the proposed solution to rectify this issue by including the VEBP Facilities in the definition of LFAS Facilities.

Perth Energy agrees with the IMO’s assessment that this Rule Change Proposal should be subject to the Fast Track process as it aims to rectify a manifest error.

**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 will ensure consistent treatment of all Facilities in the WEM participating in the LFAS market, including the VEBP Facilities. The proposed inclusion of the VEBP Facilities in the definition of LFAS Facilities will remove the current difference in treatment of VEBP Facilities and therefore reduce the potential for discrimination between VEBP Facilities and other Facilities. This is likely to positively impact on achieving Market Objective<sup>1</sup>(d) relating to discrimination.

Perth Energy considers that by removing the potential for discrimination there would also be a positive impact on achieving Market objective (b) relating to generation competition.

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

**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 has not identified any impacts to our business.

**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.

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<sup>1</sup> The objectives of the market are:

(a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;

(b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;

(c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;

(d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and

(e) to encourage the taking of measures to manage the amount of electricity used and when it is used.