
Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2014_02 Removal of Facility Aggregation

Submitted by

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

Background

The Market Rules currently allow Market Participants to aggregate multiple Facilities into a single aggregated Facility. For example, a power station consisting of two gas turbines, each with a capacity of 175MW could be aggregated into a single 350MW Facility.

Currently, no Market Participant is making use of the aggregation option under clause 2.30 of the Market Rules. It is Perth Energy's understanding that since market start clause 2.30 has only been made use of in relation to Alinta Energy's Wagerup Power Station. Alinta Energy has since disaggregated the two units at Wagerup.

Issues

Aggregated Facilities are treated differently to single unit Facilities in respect of some processes within the Wholesale Electricity Market. This is evident in the IMO's IT systems which in many cases have separate and bespoke rules applying to aggregated Facilities. Whenever any changes are made to the Market Rules that impact systems there is often a separate cost associated with developing amendments to those systems and testing those amendments to ensure that the new IT solution correctly handles aggregated Facilities.

It is not clear what remaining benefits if any can be gained for Market Participants by aggregating Facilities. It is believed that prior to the recent changes made to the Balancing Market there may have been some potential operational efficiencies available to Market Participants such as having operational flexibility with respect to which single unit to use to follow a Resource Plan when the Resource Plan required output from a particular aggregated Facility. The fact that aggregated Facilities no longer exist in the WEM suggests that whatever benefits may still be available by aggregating Facilities are not sufficient to justify Market Participants applying for aggregation of Facilities.

Given the apparent lack of interest in the aggregation of Facilities and the associated cost of maintaining this ability in the Market Rules there is a potential to reduce costs to the WEM by removing the ability to aggregate Facilities in the WEM.

Change Proposal

The IMO submitted Rule Change Proposal RC_2014_02 "Removal of Facility Aggregation" on 14 July 2014.

The IMO proposed to remove the ability to aggregate Facilities in the WEM.

Perth Energy's Views

Perth Energy supports the proposed amendments by the IMO.

Continuing to incur costs to maintain and update IT systems to accommodate a feature of the WEM Rules that are not being utilised by any Market Participant and appears to have no potential beneficial use in future would be inefficient and place an unnecessary impost on all WEM Market Participants. Perth Energy supports removing such unwarranted costs and the associated redundant provisions of the Market Rules.

Perth Energy queries whether there will be any material costs associated with the implementation of this Rule Change. If the costs are material it may be prudent to delay implementation of this Rule Change until the outcome of the ongoing review of the WEM is known. If the outcome of the review is that Facility aggregation disappears in any event it would not be necessary to incur the expense associated with immediate removal of Facility aggregation from the Market Rules.

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

Subject to our comments about the potential interaction with the ongoing review of the WEM, Perth Energy considers removing the unused option of aggregating Facilities would potentially save costs associated with the ongoing maintenance of WEM systems and costs associated with upgrading and testing of IT systems to accommodate future Rule Changes. This would put downward pressure on costs associated with administering the WEM and

therefore positively impact on the achievement of Market Objectives¹ (a) and (d) relating to efficiency and minimising the long term cost of electricity.

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 on its IT or business systems.

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.

¹ (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.