RCP | Rule Change Panel

Wholesale Electricity Market Rule Change Proposal Submission

RC_2014_03
Administrative Improvements to the Outage Process

Submitted by

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

Synergy appreciates the opportunity to provide feedback in response to the Draft Rule Change Report: Administrative Improvements to the Outage Process (RC_2014_03).

Synergy remains supportive of the intent of the Rule Change Proposal and agrees that amendments that add regulatory clarity to Market Participants should be implemented. For instance, Synergy is strongly supportive of the proposed amendments to the definition of Forced Outages (clause 3.21.1) that provides further clarification on exclusions.

However, Synergy raises concerns on underlying issues with respect to the introduction of a Triggering Outage Notification mechanism and new Outage Quantity determinations as it does not consider the benefits to be sufficient justification for the:

- ***Opportunity costs***: Synergy's view is that the proposed changes present an unnecessary, and significant, disruption to Synergy's critical activities required to prepare for the new market scheduled for commencement on 1 October 2022;

- ***Reduced lifespan:*** Synergy is of the view that the benefits received over the reduced expected lifespan of the mechanism are insufficient to warrant the implementation costs. Changes anticipated in the new market commencing 1 October 2022 are likely to render the Triggering

Outage Mechanism obsolete, meaning that costs and resources set aside to implement these changes will become redundant.

Further, changes to Outage Quantity determinations form a material component of Synergy's outages calculations and require material system changes to Synergy's STEM submissions, Balancing submissions and internal processes. For instance, system calculations would need to be reconfigured on a nominal basis and system changes would be required to enable automated temperature correction. Again, these changes will need to reversed and amended once the new market commences; and

- ***High implementation costs**:* Synergy considers that the costs for implementation are considerable (AEMO's estimate of c. $550,000 and Synergy's estimate of $250,000-$350,000), not accounting for contingency allowance, opportunity cost as well as costs borne by other Market Participants.

Triggering Outage Mechanism:

Synergy recognises the importance of Market Participant visibility of Network Operator planned outages. However, Synergy anticipates that the changes may only provide marginal benefits and incurring large costs to implement a guaranteed redundant mechanism may not be an efficient use of time and resources. Therefore, Synergy's strong recommendation is to not proceed with the Draft Rule Change Report.

Synergy's view is that one of the underlying issues in relation to market transparency is the need to reflect GIA and regional network constraints in the Balancing Merit Order (BMO). However, Synergy considers that the proposed changes under RC_2014_03 only addresses a small component of these concerns.

Synergy notes that one of the key drivers for RC_2014_03 is to require individual participants to reflect foreseeable constraints in order to reduce the volume of energy bid into the market which may not be able to be delivered. Synergy notes that where the constraint impacts the sum of output from multiple facilities, the desire to properly reflect energy which can be physically delivered may not occur unless AEMO ensures that the sum of available capacity from all affected parties does not exceed the regional cap. At present, Synergy does not understand how this will be achieved without AEMO effectively picking winners as AEMO may not know the pricing of individual facilities in advance.

Further, the Rule Change Report does not address the issue of Western Power North Country regional network constraints, which heavily impacts balancing price forecast accuracy and would benefit from increased market transparency. In some instances, Synergy receives notification of North Country Network constraints as our Pinjar facility may be directly impacted. Synergy notes that the combined North Country constraint often exceeds the capacity of all individual facilities. With no way of knowing how Western Power / AEMO will constrain individual facilities, all volume subject to regional constraints is bid into the balancing market but not all of it can be dispatched.

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

Synergy notes that there are some administrative changes proposed in the Draft Rule Change Report that will promote market efficiency, including the enhancement of the Forced Outages definition in clause 3.21.1.

However, Synergy considers that the introduction of the Triggering Outage Notification and amendments to the Outage Quantity determinations does not meet the Wholesale Market Objective to minimise the long-term cost of electricity supplied to customers given the high estimated implementation costs and reduced lifespan to reap benefits.

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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.**

Proposed changes are likely to have material implications to Synergy's systems, compliance, resourcing and internal processes.

An automated solution to accommodate proposed changes is preferred to minimise non-compliance risk. Initial cost estimates for a system integration of the proposed changes is material, at approximately $250,000 to $350,000 based on two key assumptions:
a) Triggering Outage Notifications will be provided at the facility level; and
b) Triggering Outage Notifications will be provided as a 'structured message' that would enable Synergy systems to automatically read and respond to messages.

Specifically, Synergy does not support the proposed method of communicating Triggering Outage Notices via Dispatch Advisories under clause 3.20.5. A Triggering Outage Notification mechanism that does not conform with these assumptions would adversely impact implementation costs as well as heighten non-compliance risk.

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

If necessary, Synergy will be able to implement system changes by the proposed timeframes (June 2021), based on initial estimates of 12 weeks to implement changes (and also assuming the mechanism conforms with the assumptions provided under section 3).

However, Synergy reiterates its concern that the introduction of a security constrained economic dispatch energy market as well as the replacement of SMMITS by 1 October 2022, which means that the proposed Triggering Outage Notification mechanism may no longer be applicable, thus effectively allowing only less than 1.5 years to reap the benefits of this new framework.

Synergy draws attention to the opportunity cost involved in conducting these changes, noting that resources required to implement these changes are the same as those currently working on Synergy's Wholesale Electricity Market Market Readiness (**WEMMR**) program designed to prepare Synergy for the new market commencing 1 October 2022.

Synergy's view is that Market Participants, and AEMO, should remain focussed on preparation for the new market and the new Triggering Outage Notification mechanism and Outage Quantity determinations creates an unnecessary disruption to ongoing WEMMR activities and may even jeopardise Synergy's ability to complete its WEMMR readiness programme on time. Given the limited lifespan of the mechanism and the significant impost on cost and resources, Synergy considers it inappropriate to proceed with the adoption of the Triggering Outage Notification mechanism that poses risk to the delivery of critical changes required to operate in the new market.

Lastly, under section 1.0 of the Draft Rule Change Report, it is noted that the proposed changes "have an estimated implementation cost and timeframe that will allow net benefit to be realised over the remaining period before the expected implementation of the new market arrangements in October 2022". However, this assessment was formed prior to the provision of implementation cost estimates from Market Participants. Synergy's view is that this reasoning warrants reconsideration in light of anticipated costs reflected in Market Participants' submission on the Draft Rule Change Report.
