



Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2014_04 Specific Transition Provisions for the 2014 Reserve Capacity Cycle

Submitted by

Name:	Ky Cao
Phone:	08 9420 0300
Fax:	08 9474 9900
Email:	k.cao@perthenergy.com.au
Organisation:	Perth Energy
Address:	Level 4, 165 Adelaide Terrace, East Perth WA 6004
Date submitted:	11 August 2014

Submission

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

Background

On 29 April 2014 the Minister for Energy, Dr Mike Nahan, directed the Independent Market Operator (IMO) to defer certain aspects of the 2014 Reserve Capacity Cycle.

In particular, the Minister directed the IMO to defer the process for assigning Reserve Capacity Credits (RCR) for the 2016/17 Capacity Year. The IMO decided that it would be prudent to defer a number of other processes, including the publication of the Statement of Opportunities (SOO) for that capacity cycle to allow the SOO to be as up to date as possible when published.

Issues

There are a number of responsibilities placed on the IMO to do certain things throughout each capacity cycle. Many of these actions are interrelated and assume that the normal process in the capacity and energy markets are followed each year. For example, information from the SOO is used to inform the Long Term Projected Assessment of System Adequacy (LT PASA) and also provides information about forecast capacity requirements in

the Wholesale Energy Market (WEM) for the expression of interest process for the Reserve Capacity Market.

The Market Rules places certain obligations on the IMO to for example publish the LT PASA and use information from the most current SOO to inform the expression of interest process for the reserve capacity process. With the changes to the 2014 Reserve Capacity Cycle imposed on the IMO by the Ministerial Direction, the IMO will not be able to fulfil all of its obligations under the Market Rules as some of the information it is required to provide as input to certain processes will not be available. The Ministerial Direction did not specifically direct the IMO as to what to do in relation to all the flow on effects from the Ministerial Direction.

Without any further action, the IMO is likely to be in technical breach of some of its obligations under the Market Rules and in particular in relation to the timescales for publishing the LT PASA and also in relation to providing specific up to date information about capacity requirements as input in the expression of interest process for the capacity market.

Change Proposal

The IMO has proposed to amend the Market Rules to introduce some temporary transition provisions for the 2014 Capacity Cycle. Specifically, the IMO has proposed to allow the IMO to defer publication of the 2014 LT PASA until 2015 and to use the information from the most recently published SOO (rather than linking it to the 2014 SOO) to inform the forecast capacity requirement for the expression of interest process for the 2015 Capacity Cycle.

Perth Energy's Views

Perth Energy supports the proposed amendments by the IMO.

The Ministerial Direction to the IMO did not cover off on all the flow on effects of deferring certification of Reserve Capacity for the 2016/17 Capacity Year. As a result, the IMO risks being in technical breach of the Market Rules unless the Market Rules are changed.

Perth Energy agrees that it may cause reputational damage to the IMO and to the wider WEM if a known compliance issue such as the one identified were to be left unmitigated. Perth Energy considers the proposed solution by the IMO to introduce specific temporary provisions in the Market Rules to be both practical and efficient in addressing the issue of potential compliance. The proposed amendment will ensure continued compliance with the Market Rules by the IMO and also ensure as up to date information as possible forms the basis for the expression of interest process for the upcoming capacity cycle.

Perth Energy notes the ongoing review of the electricity market within the South West Interconnected System. We look forward to draft recommendations being shared with the market to facilitate a speedy transition to new market arrangements if any, and remove the uncertainty that is currently hampering investment and further development of competition within the WEM.

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

Perth Energy considers the proposed changes adequately and efficiently removes the potential for non-compliance with respect to the IMO due to the flow on effects from the Ministerial Direction. Furthermore, the proposed amendments by the IMO ensures that the expression of interest process for the next capacity cycle can be run having as up to date information as possible about future capacity requirements in the WEM.

For these reasons, Perth Energy considers the proposed amendments will better facilitate achievement of Market Objectives¹ (b) and (d) relating to promotion of competition and minimising the long term cost of electricity.

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

Perth Energy would welcome a speedy resolution of the outcome of the current review of the WEM to ensure that any negative impact on investor confidence is minimised and the benefits of competition maximised. It will be difficult to achieve these objectives until certainty on the future structure of the market has been achieved.

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.