

Rule Change Notice: Reserve Capacity Mechanism - Manifest Errors 2017 (RC_2017_01)

This notice is given under clause 2.5.7 of the Wholesale Electricity Market Rules (Market Rules).

Submitter: Ray Challen, Public Utilities Office

Date submitted: 20 April 2017

The Rule Change Proposal

The Public Utilities Office proposes to amend the Wholesale Electricity Market Rules (Market Rules) to address three manifest errors arising from the 'Electricity Industry (Commencement of Electricity Industry (Wholesale Electricity Market) Amendment Regulations) Order 2016' (Order) that was gazetted on 31 May 2016.

Manifest error in the current Market Rules

Under the current Market Rules AEMO is unable to assign Capacity Credits to Market Participants because the Order has omitted the provision specifying how AEMO must determine the amount of Capacity Credits to be allocated in clause 4.20.5B of the Market Rules. The Public Utilities Office proposes to reinstate the exact text of the omitted provision.

Manifest errors commencing on 1 October 2017

Schedule B Part 3 of the Order, which commences on 1 October 2017 will introduce two manifest errors in new clauses 4.26.1C and 4.26.6 of the Market Rules by referring to System Management notifying or providing AEMO with Outage details under clause 7.13.1A(b). These references are incorrect as clause 7.13.1A(b) requires System Management to "record" these details rather than provide them to any party. The PUO proposes to amend the wording of the two references to reflect the System Management's actual obligation under clause 7.13.1A(b). The PUO proposes to commence the necessary amendments on 1 October 2017, immediately after the commencement of Schedule B Part 3.

Appendix 1 contains the Rule Change Proposal and gives complete information about:

- the proposed amendments to the Market Rules;
- relevant references to the Market Rules and any proposed specific amendments to those clauses; and

- the submitter’s description of how the proposed amendments would allow the Market Rules to better address the Wholesale Market Objectives.

Decision to progress the Rule Change Proposal

The Rule Change Panel has decided to progress this Rule Change Proposal on the basis that its preliminary assessment indicated that the proposal is consistent with the Wholesale Market Objectives.

Timeline

This Rule Change Proposal will be progressed using the Fast Track Rule Change Process, described in section 2.6 of the Market Rules, on the grounds that the proposed changes are required to correct manifest errors and therefore the proposal satisfies the criteria in clauses 2.5.9(b) of the Market Rules.

2.5.9. *The Rule Change Panel may subject a Rule Change Proposal to the Fast Track Rule Change Process if, in its opinion, the Rule Change Proposal:*

- (a) *is of a minor or procedural nature; or*
- (b) *is required to correct a manifest error; or*
- (c) *is urgently required and is essential for the safe, effective and reliable operation of the market or the SWIS.*

The projected timelines for progressing this proposal are:



* amendments to clause 40.20.5B of the Market Rules as soon as practicable
 amendments to clauses 4.26.1C and 4.26.6 of the Market Rules immediately after the commencement of Schedule B Part 3 on
 1 October 2017

Call for submissions

Any Rule Participant wishing to be consulted regarding this Rule Change Proposal is invited to notify the Rule Change Panel within 5 Business Days of the Rule Change Notice publication date (**notify by 5 May 2017**).

The consultation period is 15 Business Days from the Rule Change Notice publication date. Submissions must be delivered to the RCP Secretariat by **5:00 PM on Friday, 19 May 2017**.

The Rule Change Panel prefers to receive submissions by email, using the submission form available at: <https://www.erawa.com.au/rule-change-panel/make-a-rule-change-submission> sent to rcp.secretariat@rcpwa.com.au.

Submissions may also be sent to the Rule Change Panel by post, addressed to:

Rule Change Panel

Attn: Executive Officer

C/o Economic Regulation Authority

PO Box 8469

PERTH BC WA 6849

Wholesale Electricity Market Rule Change Proposal

Rule Change Proposal ID: *RC_2017_01*
 Date received: *20 April 2017*

Change requested by:

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Date submitted:	20 April 2017
Urgency:	<i>3-high – Fast Track Rule Change Process</i>
Rule Change Proposal title:	Reserve Capacity Mechanism - Manifest Errors 2017
Market Rule(s) affected:	Clauses 4.20.5B, 4.26.1C, 4.26.6.

Introduction

Clause 2.5.1 of the Wholesale Electricity Market (WEM) Rules (Market Rules) provides that any person may make a Rule Change Proposal by completing a Rule Change Proposal form that must be submitted to the Rule Change Panel.

This Rule Change Proposal can be sent by:

Email to: rcp.secretariat@rcpwa.com.au

Post to: Rule Change Panel
 Attn: Executive Officer
 C/o Economic Regulation Authority
 PO Box 8469
 PERTH BC WA 6849

The Rule Change Panel will assess the proposal and, within 5 Business Days of receiving this Rule Change Proposal form, will notify you whether the Rule Change Proposal will be further progressed.

In order for the proposal to be progressed, all fields below must be completed and the change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the Wholesale Market Objectives.

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.

Details of the Proposed Rule Change

1. Describe the concern with the existing Market Rules that is to be addressed by the proposed rule change:

Following approval by the previous Minister for Energy, the Public Utilities Office progressed amendments to the Wholesale Electricity Market Rules through gazettal of the *'Electricity Industry (Commencement of Electricity Industry (Wholesale Electricity Market) Amendment Regulations) Order 2016'* (Order) on 31 May 2016.

The amendments implemented transitional reforms to the Reserve Capacity Mechanism and the transfer of System Management functions from Western Power to the Australian Energy Market Operator (AEMO).

The Public Utilities Office has subsequently identified manifest errors arising out of the Order.

The proposed amendments outlined in this Rule Change Proposal seek to:

- a. Correct an error in section 4.20.5B of the Wholesale Electricity Market Rules as a result of Gazettal Notice No. 89 (31 May 2016) incorrectly omitting relevant text. This error has resulted in AEMO being unable to allocate Capacity Credits as the Wholesale Electricity Market Rules do not contain the required provision for determination of the amount of capacity credits to be allocated. (The proposed change, to reinstate the exact text as inadvertently omitted, is detailed in paragraph 1 of section 3 of this Rule Change Proposal.)
- b. Correct an error in clause 4.26.1C and 4.26.6(d)(i) in Schedule B, Part 3 of the Order which are to commence on 1 October 2017 by amending references to the notification of outages by System Management, to properly reflect the transfer of system management functions from Western Power to AEMO. (The proposed changes to address this error are detailed in paragraphs 2 and 3 of section 3 of this Rule Change Proposal.)

The Public Utilities Office requests that this Rule Change Proposal be progressed under the Fast Track Rule Change Process on the basis that all of the proposed amendments seek to correct manifest errors. The components of the Wholesale Electricity Market Rules referenced above will not operate as intended if the errors are not addressed.

The proposed changes do not seek to change the market outcomes that were desired to be achieved with the gazettal of the Market Rule amendments on 31 May 2016. These outcomes are as described in the *Final Report: Reforms to the Reserve Capacity Mechanism* released by the Public Utilities Office on 7 April 2016 and the Information Paper: *Transfer of system management and market operation functions to the Australian Energy Market Operator* released by the Public Utilities Office on 30 September 2015.

2. Explain the reason for the degree of urgency:

The proposed amendments in this Rule Change Proposal correct manifest errors in order to ensure the correct operation of the Wholesale Electricity Market Rules. If the rule changes are not made in an expedient manner, capacity certification and payment arrangements of the Wholesale Electricity Market will be disrupted and outage determination requirements within the market will be deficient.

On this basis, the proposed amendments meet the requirements set out in clause 2.5.9(a) and (b) of the Market Rules to apply the Fast Track Rule Change Process.

Clause 2.5.9 states:

The Rule Change Panel may subject a Rule Change Proposal to the Fast Track Rule Change Process if, in its opinion, the Rule Change Proposal:

- (a) is of a minor or procedural nature; or*
- (b) is required to correct a manifest error; or*
- (c) is urgently required and is essential for the safe, effective and reliable operation of the market or the SWIS.*

3. Provide any proposed specific changes to particular Market Rules: (for clarity, please use the current wording of the rules and place a ~~strickethrough~~ where words are deleted and underline words added)

Proposed commencement: As soon as practicable

(1) Amend clause 4.20.5B(b):

(b) if –

~~1.~~ the Market Participant specified a non-zero amount for the Facility under clause 4.14.1(c) or 4.14.1(ca) then the quantity of Capacity Credits is the sum of:

1. the quantity specified by the Market Participant for that Facility under clause 4.14.1(b); and

2. the quantity specified by AEMO for the Facility under clause 4.14.9.

Proposed commencement: 1 October 2017 after the commencement of Schedule B Part 3

- (2) Amend clause 4.26.1C (introduced in Schedule B Part 3 commencing on 1 October 2017):

Where System Management ~~notifies AEMO under clause 7.13.1A(b) of~~ has recorded under clause 7.13.1A(b) the Planned Outage of a Scheduled Generator in a Trading Interval, AEMO must determine that Planned Outage to be—

- (a) if the Refund Exempt Planned Outage Count for the Facility, calculated over the 1000 Trading Days preceding the Trading Day in which the Trading Interval falls, is less than 8400—a Refund Exempt Planned Outage; or
 - (b) otherwise—a Refund Payable Planned Outage.
- (3) Amend clause 4.26.6(d)(i) (introduced in Schedule B Part 3 commencing on 1 October 2017):
- i. for a Scheduled Generator, the MW value of Capacity Credits less the MW quantity of Outage as ~~provided~~ recorded under clause 7.13.1A(b); and

4. Describe how the proposed rule change would allow the Market Rules to better address the Wholesale Market Objectives:

The proposed changes provide clarity and consistency in the application of the Wholesale Electricity Market Rules and ensure that the market functions as intended. On this basis the amendments in this Rule Change Proposal are considered to be consistent with the Wholesale Market Objectives.

The Public Utilities Office considers that the proposed amendments will better achieve Wholesale Market Objectives (a) and (d).

5. Provide any identifiable costs and benefits of the change:

Costs:

There are no costs associated with implementing these proposed rule changes.

Benefits:

Removing the manifest errors will improve the clarity and integrity of the Wholesale Electricity Market Rules and ensure that the market functions as intended.
