

## Wholesale Electricity Market Rule Change Proposal Submission

RC\_2017\_04

### Reserve Capacity Mechanism – Minor Changes 2017

#### Submitted by

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<b>Date submitted:</b>	9 September 2017

Submissions on Rule Change Proposals can be sent by:

Email to: [rcp.secretariat@rcpwa.com.au](mailto: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

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

Electricity Generation and Retail Corporation trading as Synergy (Synergy) welcomes the opportunity to provide feedback to the Public Utilities Office (PUO) on its Rule Change Proposal: Reserve Capacity Mechanism – Minor Changes 2017.

In reviewing this Procedure Change Proposal, Synergy has identified a number of issues for further consideration by PUO:

1. The use of Capacity Purchaser Payment(p,m) term

In clause 9.7.1B Synergy would like to suggest that the term **CPP(p,m)** is written out in full as **Capacity Purchaser Payment(p,m)** to avoid confusion with the **Capacity Provider Payment(p,m)** term used earlier in clauses 9.7.1 and 9.7.1A.

Synergy is of a view that the acronyms “CCP(p,m)” and “CPP(p,m)” both should be removed from clauses 9.7.1A and 9.7.1B of the Wholesale Electricity Market (WEM)

Rules (respectively) and the terms “Capacity Purchaser Payment(p,m)” and “Capacity Provider Payment(p,m)” should always be spelled out in full to avoid confusion. This is especially important given the acronym CCP is not actually an acronym for "Capacity Purchaser Payment").

2. Inconsistencies in display of formulas, sub formulas and explanation of relevant variables.

Synergy noticed that different formats are used throughout the WEM Rules for displaying formula sublevels and the use of the explanatory word “where” in successive formula sublevels.

We understand that the rule change proposal suggests removal of the word “where” in formula sublevels. For example, Capacity Share(p,m) formula in Clause 9.7.1B is displayed in the following way:

$$\text{Capacity Share}(p,m) = \text{IRCR}(p,m) / \text{Sum}(p \in P, \text{IRCR}(p,m))$$

P is the set of all Market Participants where p is a member of that set;

IRCR(p,m) is the Individual Reserve Capacity Requirement for Market

Participant p for Trading Month m expressed in units of MW;

Synergy believes that the proposed display of formulas is hard to read and proposes retaining the use of the word “where” as it is currently in the WEM Rules and use appropriate indentation as shown below:

$$\text{Capacity Share}(p,m) = \text{IRCR}(p,m) / \text{Sum}(p \in P, \text{IRCR}(p,m))$$

Where

IRCR(p,m) is the Individual Reserve Capacity Requirement for Market;

Participant p for Trading Month m expressed in units of MW; and

P is the set of all Market Participants where p is a member of that set.

Alternatively, if the word “where” is not going to be used in sub formulas, we would like to suggest that all terms are displayed in alphabetical order for the ease of reference.

Synergy is of a view that the formatting of all formulas should be consistent throughout the WEM Rules.

3. Inconsistencies in spacing when displaying variables

E.g. DSM Capacity Payment  $\text{C}_p(p,m)$  vs  $\text{IRCR}(p,m)$ .

4. Manifest errors

Synergy believes that it is not clear from the proposal what the manifest errors in clause 9.7.1B are. Synergy would like to suggest that, in future Rule Change Proposals, the Rule Change Panel ensures that the manifest errors are adequately described and why they are deemed to be “manifest” (in accordance with clause 2.4.7 of the WEM Rules).

5. Proposed amendments to Clause 4.5.14C

Synergy understands the intent of the proposed changes to Clause 4.5.14C, but have concerns in regards to the proposed wording in section (d). The proposed wording may be interpreted as though AEMO has an obligation to “forecast” the Capacity Credits to be assigned for a particular Capacity Year, which may lead to inconsistency and uncertainty of the process of Capacity Credits assignment. Synergy considers that AEMO’s role in setting the price for DSM Capacity Credits should be purely formulaic, and not require potentially difficult and contentious estimating or forecasting of the intentions and/or abilities of DSM providers to contract sufficient capacity to satisfy their reserve capacity obligations at the time it publishes the relevant Statement of Opportunities.

To avoid that issue, we propose amending the wording of clause 4.5.14C to state:

(d) dividing the difference in clause 4.5.14C(c) by the total of all DSM Capacity Credits assigned to Demand Side Programmes for the upcoming Capacity Year as at the date of the publication of the Statement of Opportunities.

2. **Specific changes to particular Market Rules are outlined below.**

Please refer to the following issues for your further consideration. Proposed amendments are marked as tracked changes.

**Clause 9.7.1B**

For the purposes of clause 9.7.1, Capacity Purchaser payment(p,m) for Market Participant p for Trading Month m is

$$\begin{aligned} \text{CPP Capacity Purchaser Payment}(p,m) &= \text{Targeted Reserve Capacity Cost}(p,m) \\ &+ \text{Shared Reserve Capacity Costs}(p,m) - \text{LF Capacity Cost}(p,m) \end{aligned}$$

Where

$$\begin{aligned} \text{Targeted Reserve Capacity Costs}(p,m) &= \text{Targeted Reserve Capacity} \\ &\text{Cost}(m) \times \text{Shortfall Share}(p,m) \end{aligned}$$

Where

Targeted Reserve Capacity Cost(m) is the cost of Reserve Capacity to be shared amongst those Market Participants who have not had sufficient Capacity Credits allocated to them for Trading Month m where this cost is specified for Trading Month m under clause 4.29.3(b);

$$\begin{aligned} \text{Shortfall Share}(p,m) &= (\text{IRCR}(p,m) - \text{Allocated Capacity} \\ &\text{Credits}(p,m)) / \end{aligned}$$

$$\text{Sum}(p \in P, (\text{IRCR}(p,m) - \text{Allocated Capacity Credits}(p,m)))$$

Where

IRCR(p,m) is the Individual Reserve Capacity Requirement for Market Participant p and Trading Month m expressed in units of MW; and  
Allocated Capacity Credits(p,m) equals the capacity credits allocated to Market Participant p in month m in accordance with sections 9.4 and 9.5.

Shared Reserve Capacity Cost(p,m) = Shared Reserve Capacity Cost(m)

× Capacity Share(p,m)

Where

Shared Reserve Capacity Cost(m) is the cost of Reserve Capacity to be shared amongst all Market Participant for Trading Month m where this cost is specified for Trading Month m under clause 4.29.3(c); and

Capacity Share(p,m) =  $IRCR(p,m) / \text{Sum}(p \in P, IRCR(p,m))$

Where

IRCR(p,m) is the Individual Reserve Capacity Requirement for Market Participant p and Trading Month m expressed in units of MW; and  
P is the set of all Market Participants where p is a member of that set.

LF\_Capacity\_Cost(p,m) = LF\_Capacity\_Cost(m) × Capacity Share (p,m)

Where

LF\_Capacity\_Cost(m) is the total Load Following Service capacity payment cost for Trading Month m as specified in clause 9.9.2(q); and

Capacity Share(p,m) =  $IRCR(p,m) / \text{Sum}(p \in P, IRCR(p,m))$

Where

IRCR(p,m) is the Individual Reserve Capacity Requirement for Market Participant p and Trading Month m expressed in units of MW; and

P is the set of all Market Participants where p is a member of that set.

~~P is the set of all Market Participants where p is a member of that set~~

If abovementioned amendments are implemented, then Synergy proposes the following amendments to clauses 9.7.1 and 9.7.1A for consistency.

**Clause 9.7.1**

The Reserve Capacity settlement amount for Market Participant p for Trading Month m is

$$RSCA(p,m) = \text{Capacity Provider Payment}(p,m) - \text{Capacity Purchaser Payment}(p,m)$$

Where

Capacity Provider Payment(p,m) is calculated in accordance with clause 9.7.1A;  
and

Capacity Purchaser Payment(p,m) is calculated in accordance with clause 9.7.1B.

**Clause 9.7.1A**

For the purposes of clause 9.7.1, Capacity Provider Payment-(p,m) for Market Participant for Trading Month m is

$$\text{CPP}(p,m) - \text{Capacity Provider Payment}(p,m) = \text{Participant Capacity Rebate}(p,m)$$

$$+ \text{Non\_Allocated\_Gen\_Capacity\_Payments}-(p,m)$$

$$+ \text{Non\_Allocated\_SPA\_Payments}-(p,m)$$

$$- \text{Intermittent Load Refund}(p,m)$$

$$+ \text{Supplementary Capacity Payment}(p,m)$$

$$+ \text{DSM\_Capacity\_Payments}-(p,m)$$

$$+ \text{Tranche 2 DSM Dispatch Payments}-(p,m)$$

$$- \text{Capacity Cost Refund}(p,m)$$

Where

Participant Capacity Rebate(p,m) is the Participant Capacity Rebate payable to the Market Participant p for all Trading Intervals in Trading Month m, as determined in accordance with clause 4.29.3(d)(vii);

$$\text{Non\_Allocated\_Gen\_Capacity\_Payments}(p,m) =$$

$$\text{Monthly Reserve Capacity Price}(m) \times (\text{CC\_NSPA}(p,m) - \text{CC\_ANSPA}(p,m))$$

Where

Monthly Reserve Capacity Price(m) is the Monthly Reserve Capacity Price which applies for Trading Day d defined in accordance with clause 4.29.1;

CC\_NSPA(p,m) is the number of Capacity Credits held by Market Participant p in Trading Month m that are not covered by Special Price Arrangements and are not DSM Capacity Credits; and

CC\_ANSPA(p,m) is the number of Capacity Credits held by Market Participant p in Trading Month m that are not covered by Special Price Arrangements and which are allocated to other Market Participants;

Non\_Allocated\_SPA\_Payments(p,m) =

Sum(a ∈ A, Monthly Special Price(p,m,a) × (CC\_SPA(p,m,a) - (CC\_ASPA(p,m,a)))

Where

Monthly Special Price(p,m,a) is the Monthly Special Reserve Capacity Price for Special Price Arrangement a for Market Participant p defined in accordance with clause 4.29.2 which applies for Trading Day d

CC\_SPA(p,m,a) is the number of Capacity Credits held by Market Participant p in Trading Month m that are covered by Special Price Arrangement a;

CC\_ASPA(p,m,a) is the number of Capacity Credits held by Market Participant p in Trading Month m that are covered by Special Price Arrangement a and which are allocated to other Market Participants for Trading Month m under sections 9.4 and 9.5;

Intermittent Load Refund(p,m) is the sum over all of Market Participant p's Intermittent Loads of the Intermittent Load Refund payable to AEMO by Market Participant p in respect of each of its Intermittent Loads for Trading Month m, as specified in clause 4.28A.1;

Supplementary Capacity Payment(p,m) is the net payment to be made by AEMO under a Supplementary Capacity Contract to Market Participant p for Trading Month m, as specified by AEMO in accordance with clause 4.29.3(e)(i);

DSM\_Capacity\_Payments-(p,m) =

DSM Capacity Credits-(p,m) x Monthly DSM Reserve Capacity Price  
(m)

Where

DSM Capacity Credits-(p,m) is the DSM Capacity Credits assigned to Market Participant p in Trading Month m; and

Monthly DSM Reserve Capacity Price (m) is the DSM Reserve Capacity Price divided by 12;

Tranche 2 DSM Dispatch Payments-(p,m) are the Tranche 2 DSM Dispatch Payments for Market Participant p for Trading Month m;

Capacity Cost Refund(p,m) is the Capacity Cost Refund payable to AEMO by Market Participant p in respect of that Market Participant's Capacity Credits for Trading Month m, as specified in clause 4.29.3(d)(vi); and

~~Intermittent Load Refund(p,m) is the sum over all of Market Participant p's Intermittent Loads of the Intermittent Load Refund payable to AEMO by Market Participant p in respect of each of its Intermittent Loads for Trading Month m, as specified in clause 4.28A.1;~~

~~Supplementary Capacity Payment(p,m) is the net payment to be made by AEMO under a Supplementary Capacity Contract to Market Participant p for Trading Month m, as specified by AEMO in accordance with clause 4.29.3(e)(i);~~

~~Participant Capacity Rebate(p,m) is the Participant Capacity Rebate payable to the Market Participant p for all Trading Intervals in Trading Month m, as determined in accordance with clause 4.29.3(d)(vii);~~

A is the set of all Special Price Arrangements associated with a Facility where "a" is used to refer to a member of that set;

~~P is the set of all Market Participants where p is a member of that set~~

**Clause 4.5.14C**

(d) Dividing the difference in clause 4.5.14C(c) by the total of all DSM Capacity Credits assigned to Demand Side Programmes for the Capacity Year (or forecast to be assigned) at the time of the publication of the Statement of Opportunities to Demand Side Programmes for the Capacity Year

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

Synergy believes that this Rule Change is consistent with the Wholesale Electricity Market (WEM) objective (a) and its implementation will provide clarity and consistency in the application of the WEM Rules.

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**4. 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.**

Synergy does not anticipate any significant implications associated in implementing the Rule Change Proposal

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

Synergy does not require any significant time commitment to implement the Rule Change Proposal.

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