

Wholesale Electricity Market Rule Change Proposal Submission

RC_2017_06: Reduction of the prudential exposure in the Reserve Capacity Mechanism

Submitted by:

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| Date submitted: | 13 September 2017 |

Submissions on Rule Change Proposals 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

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

Change Energy welcomes the opportunity to provide a submission to the Rule Change Panel (**RCP**) on the *Rule Change Proposal: Reduction of the prudential exposure in the Reserve Capacity Mechanism (RC_2017_06)*.

Change Energy supports the rule change proposal, in particular, the amendments to use month n rather than n-3 to calculate IRCR. This change will resolve a number of potential issues in the competitive market to supply customers in the WEM.

Change Energy supports the changes to the Capacity Credit Allocation process which we see as an improvement to the operation of the WEM in general and not just for this rule change.

Change Energy appreciates the work and the consultation provided by AEMO once the prudential issue was identified. In particular, AEMO's work to ensure the financial security of the market, but to find a resolution that does not disadvantage small privately-owned retailers.

While Change Energy supports the 2 main principles of the rule change, we do not support transitional

provisions of moving from month n-3 to month n. We see this causing unnecessary costs, risks and customer confusion. Change Energy supports option 3 – the immediate switch to month n.

Lastly, Change Energy would like to see more information and stakeholder engagements before any changes to the Outstanding Amount calculations are finalized.

Transitional Provisions

AEMO has indicated that due to the proposed amendments to move the target month from month n-3 to month n for Meter Registry data, transitional arrangements are required. AEMO has proposed using option 1 for the transitional rules to account for four months of responsible party data in the IRCR calculations for the first Trading Month after the proposed Amending Rules come into effect.

Change Energy believes that this option is unnecessarily complex and adds to the costs to both billing and settlement systems to account for the two new calculations processes. In general, changing system variables from n-3 to n is relatively straightforward, whereas setting up new calculations to include percentages across months introduces entirely new code and processes.

Change Energy believes that any benefits of the proposed transition period option would be minimal and be limited the small number of customer churns that may occur in the 3 months prior to the rule change taking effect

Change Energy strongly supports option 3 as it will have the least operational impact on retailers billing systems and processes and therefore the least potential impact on customers. It is also important that the transition take place during a capacity year, and does not occur over 2 capacity years as this will introduce further risks to system changes.

Outstanding Amount Calculation

AEMO has proposed that changes to the Market Procedure detailing the Outstanding Amount calculation are implemented one month after this Rule Change Proposal is implemented. As part of the consultation process for the procedure change, Change Energy would like to request that AEMO provide preliminary calculations to participants. This will allow for a significant and detailed review of the impacts of such changes to all participants.

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

Change Energy agrees with AEMO's assessment that the broader rule change, which seeks to minimise the prudential risk arising from a defaulting Market Customer's IRCR liabilities, better facilitates the achievement of Wholesale Market Objectives (a), (b) and (d).

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.

See section 1 above.

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

AEMO has indicated it will take some months to implement the rule change once approved. This time should be sufficient for Change Energy to make the necessary changes to our systems.