

Wholesale Electricity Market Rule Change Proposal Submission

RC_2019_01

The Relevant Demand Calculation

Submitted by

Name:	Liz Aitken, General Manager Operations
Phone:	(08) 9420 0347
Email:	e.aitken@perthenergy.com.au
Organisation:	Perth Energy
Address:	Level 24, The Forrest Centre, 221 St Georges Terrace, Perth WA 6000
Date submitted:	9 August 2019

Submissions on Rule Change Proposals can be sent by:

Email to: support@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.

In the Market Advisory Committee (MAC) meeting held on 29 July 2019, the Rule Change Panel Secretariat:

- suggested a workshop be held to discuss the issues raised in this Rule Change Proposal;
- asked stakeholders to state their views on the urgency of the Rule Change Proposal; and
- asked stakeholders to outline any issues that should be addressed in the proposed workshop.

Perth Energy's views on the urgency of the Rule Change Proposal

Perth Energy highlights the consideration of the appropriateness of the method used to measure a demand-side resource's counterfactual demand either for the purposes of certification or dispatch does not address the fundamental policy questions of:

- What role demand-side resources should play in the WEM?
- What value do demand-side resources provide?
- What capacity and energy price should demand-side resources be paid?

These questions must be answered before Market Participants spend any time assessing the various methods to determine a Demand Side Programme's (DSP) Relevant Demand.

It is on this basis that Perth Energy advocates for the consideration of the appropriateness of the method used to determine the counterfactual demand of a DSP to be deferred until the role of demand-side resources in the new market design has been determined by the Electricity Transformation Taskforce and Implementation Unit.

Moreover, as evidenced by AEMO's Electricity Statement of Opportunities there is no urgency to re-introduce any more capacity (supply or demand-side) in the medium term.¹

Perth Energy highlights that the introduction of the proposed changes in the absence of other reforms has the ability to significantly affect the Reserve Capacity Price, and subsequent financial viability of some Facilities. In the MAC meeting held on 29 July 2019, the Public Utilities Office stated that the Reserve Capacity Price would be around \$72,000 per MW per year. This is already well below the benchmark cost of a Facility such as Kwinana Swift, which is valued by AEMO at around \$150,000 per MW per year, and will decrease further with the re-entry of demand-side capacity resources.

Perth Energy's views on the merits of the Rule Change Proposal

Perth Energy fully supports the alignment of the Reserve Capacity Price a Facility is paid with the services it provides to the market – either full harmonisation of requirements and a single price, or differential requirements and a price reflective of the value of those services.

We appreciate that the proposed changes will help bring demand-side resources closer to the scheme that applies to supply-side resources. However, Perth Energy considers the framework needs to be considered more holistically to ensure each aspect of the Reserve Capacity Mechanism works as intended, and delivers the most economic outcome for the market overall.

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

Perth Energy considers a more accurate method of calculating a DSP's counterfactual demand may better address the Wholesale Market Objectives. We also appreciate the intended balance of accuracy, simplicity and integrity. However, the Rule Change Proposal does not provide sufficient detail on the alternative approach or associated costs to allow Perth Energy to provide a complete assessment.

¹ In the 2019 ES00, AEMO calculated 8.4% excess capacity in the WEM for the 2020-21 Capacity Year and expects the level of excess to remain around the same for the 10-year outlook period. See page 3 of the ES00, available at: https://www.aemo.com.au/-/media/Files/Electricity/WEM/Planning_and_Forecasting/ES00/2019/2019-WEM-ES00-report.pdf

-
- 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.**

There will be no operational impact for Perth Energy resulting from the proposed changes.

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

There will be no operational impact for Perth Energy resulting from the proposed changes.
