

Wholesale Electricity Market Rule Change Proposal Submission

RC_2019_05

Amending the Minimum STEM Price Definition and Determination

Submitted by

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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.

NewGen Kwinana (NPK) welcomes the opportunity to provide feedback on the draft rule change report and appreciates the extensions that were given in this second submission period.

With regards to the methodology in which the Minimum STEM Price will be calculated, NPK proposes some steps to achieve a price that realistically represents low system demand scenarios and the actual costs that a cycling generator may face in these scenarios.

NPK is supportive of the RCP's proposal to limit the calculation of Minimum STEM Price based on credible low system load scenarios to prevent any price distortions that may occur if a generator is selected to represent these costs that rarely generates during these situations. This would align the new Minimum STEM Price methodology with the way in which AEMO reviews the Alt/Max STEM Price; analysis is conducted to identify which peaking facilities are responding to price events and the associated run times.

Following on from this, NPK suggests that there should be some scrutiny over what is considered in de-commitment costs. There can be possible variances in de-commitment

costs between a generator that is preparing to 'cycle' and fully expects to return as soon as possible, versus one that is de-committing for a substantial amount of time (for extended outage works for example). NPK proposes that this is specified in the provision of new rules to accurately capture a plants cycling costs.

It is believed that the combination of these two variables will lead to a Minimum STEM Price that accurately represents the cost (and no more) at which all generators become indifferent to generating or cycling at that point in time.

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

NPK considers that the proposed amendments will better facilitate the Wholesale Market Objective (c).

c) Minimise the long-term cost of electricity supplied to customers from the SWIS

The provision minimum STEM price which accurately reflects the cycling costs associated with the de-commitment of generators will reduce the price risk on energy during low demand periods. The reduction in perceived risk should minimise the long-term cost of electricity supplied to customers through lower risk premiums offered in Balancing Submissions.

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.

Negligible

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

Negligible
