

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.

The Australian Energy Market Operator (AEMO) welcomes the opportunity to provide a submission to the Rule Change Panel on the Call for Further Submissions for Rule Change RC_2019_05 Amending the Minimum STEM Price definition and determination.

In its second period submission, AEMO expressed an overarching concern that whilst the Amending Rules detailed the factors to be considered when determining the Minimum STEM Price, the Amending Rules did not describe how each of these factors were to be used in the calculation.

This means that a detailed methodology must be developed before undertaking the review. AEMO's concern is that this will require significant effort including:

- Ensuring that the application of complex methodologies are transparent for Market Participants and the Economic Regulation Authority (ERA)
- Addressing alternative interpretations and disagreement when progressing through the regulatory approval process.

This is the reason for the large variation and uncertainty in AEMO's cost estimate for undertaking the review. AEMO therefore recommended a codified approach, where the prescribing instruments (e.g. rules and procedures) would contain sufficient detail for AEMO to apply a methodology, rather than having to develop a detailed methodology as part of the review.

AEMO notes that the RCP Support team is of the view that it has achieved the right balance in the level of codification of the process, albeit has proposed some additional changes to provide further guidance. AEMO still remains concerned that the level of codification is not sufficient and would lead to excessive effort being spent to undertake the reviews.

AEMO therefore continues to recommend further codification. Details of the suggested approach were provided in AEMO's second period submission, which was supported by analysis from an independent consultant.

The Call for Further Submissions indicates that the Rule Change Panel (RCP) is considering whether the ERA should have responsibility for the proposal and determination of the Minimum STEM Price. AEMO is not opposed to the RCP's consideration of the assignment of responsibilities. However, the RCP may wish to consider the extent to which there may still be inefficiencies (for example, there could be some duplication in effort if it is necessary for AEMO to support the ERA with the Minimum STEM Price review).

AEMO notes that the RCP is considering further amendments that will provide AEMO with the power to obtain decommitment cost information from Market Participants in the course of the review. AEMO raised the concern in its second period submission that while technical data is available through Standing Data, other information (e.g. cost data) is not, and therefore AEMO must rely on the voluntary provision of this information. Where this information is not voluntarily provided AEMO would need to develop this data.

AEMO therefore welcomes the proposed further amendments to provide AEMO with the power to obtain the decommitment cost information as it will mean that AEMO will not need to rely on the voluntary provision of information, therefore reducing the time and effort required when gathering inputs for the review.

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

As per AEMO's second period submission, AEMO maintains the view that under the current drafting (assuming the ERA is not assigned the function), the Minimum STEM Price determination process could be a costly one and therefore not consistent with Market Objective (a):

to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system.

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.

AEMO has previously stated in earlier submissions that it will be able to modify the Minimum STEM Price in its market systems at no system cost. This advice remains current should there be a change in the Minimum STEM Price following future reviews.

There has been no change to AEMO's previous estimates of the ongoing cost that may be incurred should AEMO be assigned the function to review the Minimum STEM Price. Further codification of the methodology in the Amending Rules will allow AEMO to make a more accurate estimate of cost.

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

Based on the current drafting, AEMO considers that it will need a period of 3 months to review the final Amending Rules, update its internal process documentation and consider issues for the development of a methodology prior to implementing the Amending Rules in the next Energy Price Limits review process.

AEMO typically commences the review of the Energy Price Limits in February each year. There will need to be sufficient time for the commencement of the Amending Rules, as referred to above, between the Final Rule Change Report and the commencement of the next Energy Price Limits process.
