



## Wholesale Electricity Market Rule Change Proposal Submission

**RC\_2019\_05**

### Amending the Minimum STEM Price definition and determination (Call for Further Submissions)

#### Submitted by

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Submissions on Rule Change Proposals can be sent by:

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

Alinta Energy welcomes the opportunity to provide a submission to the Rule Change Panel on its Call for Further Submissions (CFFS) for the Amending the Minimum STEM Price definition and determination Rule Change Proposal (RC\_2019\_05).

Alinta Energy is supportive of having a mechanism in the Market Rules to allow AEMO or the ERA to determine a new Minimum STEM Price if the current price is deemed inappropriate. Alinta Energy is broadly supportive of the concepts outlined in the CFFS but recommends aligning the Market Rules with the objective of the Minimum STEM Price which is to prevent market instability by imposing a negative limit on the total potential volatility of market prices. The Minimum STEM Price should allow generators to differentiate themselves according to the value they place on being dispatched by bidding at negative price levels.

Alinta Energy appreciates the efforts taken to reduce the costs of each review but would like to emphasise a new Minimum STEM Price only needs to be determined if the current Minimum STEM Price is deemed inappropriate. This will minimise unnecessary costs for Market Participants.

Alinta Energy believes that the current Minimum STEM Price is appropriate based on what has been observed in the market to date. Therefore, a new Minimum STEM Price will not need to be determined unless there are major changes or events from now to the next review period.

Using the criteria in the proposed clause 6.20.6A:

1. The Balancing Price clearing at the Minimum STEM Price in the three Trading Intervals on 12 and 13 October was not due to the Minimum STEM Price being too high. This was a result of low demand and base load generators remaining online during the low load period. Had the generators that were online had known that the Balancing Price would clear at the Minimum STEM Price, the generators would have been taken offline. Alinta considers that this justifies its position that the current Minimum STEM Price is not too high.
2. While there has been some retirements in the SWIS since the Balancing Market was introduced there has not yet been a material change in the generation fleet, such that the average generator cycling costs would have changed significantly. The current - \$1,000/MWh price has been appropriate since Balancing Market start so there is no reason to determine a new price until there are material plant retirements which impact the average generator cycling costs.
3. Market Participants may request the Minimum STEM Price to be reviewed but it is important for AEMO or the ERA to consider the points above before going ahead with determining a new Minimum STEM Price.

#### Annual review and setting the Minimum STEM Price responsibility

Alinta Energy supports giving the responsibility for annually reviewing and approving the Minimum STEM Price to the ERA rather than AEMO from a cost perspective. The change in responsibility will align with the processes in the NEM where the Reliability Panel, a specialist body within the Australian Energy Market Commission, is responsible in assessing whether the floor price is appropriate and determining a new floor price if required.

#### How the Minimum STEM Price will be set

The Minimum STEM Price should be set a level that does not interfere with generators being able to differentiate themselves according to the value they place on being dispatched by bidding at negative prices during periods of excess generation. Alinta Energy does not have a strong preference on which method is selected. However, the objective of the Minimum STEM Price should stay true.

It is difficult to recommend a percentage to be used in the Conditional Value at Risk (CCaR) or scenario calculations without knowing what scenarios and factors along with their weighting are being considered. The percentage that should be initially used should be very conservative to ensure that all generators will be able to differentiate themselves. The ERA should assess this percentage in each review to determine whether the current percentage used needs to be revised for the next review. Based on this principle, Alinta Energy recommends the Minimum STEM Price to be set at:

- the price that represents the 2% CCaR; or
- the price that is lower than 98% of the prices determined; or
- a price that all generators will be able to differentiate themselves based on their decommitment costs.

### Obtaining information to be used to calculate Minimum STEM Price

Alinta Energy is strongly of the opinion that confidential and commercially sensitive information should only be used for the purpose for which it was provided. Alinta Energy considers that the cost to decommit and recommit, including start-related fuel and variable operating and maintenance costs of the Facility is confidential and commercially sensitive information. The approval of RC\_2018\_05: ERA access to market information and SRMC investigation process means that any information provided under the proposed clauses can be used by the ERA for any of its functions. While we recognise that RC\_2018\_05 has included some protections for participants regarding the use of market related information Alinta Energy's preference is to not include a head of power to require participants to provide cycling information. Instead Alinta Energy would prefer that the process for determining average cycling costs mirror the AER's Reliability standard and settings review, whereby a consultant undertakes modelling in its Market Floor Price assessment. This approach is also in-line with the approach used for the Energy Price Limits.

If the above suggestion is not accepted, then Alinta Energy recommends that Market Participants should be able to self-assess which decommitment and recommitment costs are material and relevant to be provided to AEMO or the ERA. When Market Participant are calculating decommitment costs which may include start-related fuel and variable operating and maintenance costs, the operating costs may be magnitudes lower than start-related fuel costs hence providing additional information when it serves no benefit would be very inefficient.

The self-assessment has incentives for Market Participants as if a Market Participant does not include a material cost then it will not be used in determining the cost of the facility decommitting. This is why the Market Rules should not be too prescriptive to allow Market Participants to assess the materiality themselves. Alinta Energy's suggested change to the Amending Rules is providing in mark-up below.

6.20.8E. When undertaking its review under clause 6.20.6, AEMO may request a Market Participant to provide the information, as the Market Participant considers relevant, listed in clause 6.20.8C(i) for a specific Facility if AEMO considers that it needs this information.

For the avoidance of doubt, while we don't support providing this information, if cycling information is required to be provided by participants to either AEMO or ERA, then this information should be classified as Rule Participant Market Restricted.

### Guiding principles for setting the credible scenarios of low demand

Alinta Energy agrees with the RCP that the methodology in the Market Rules do not need to be codified to allow flexibility when determining the Minimum STEM Price. Noting that there are risks to Market Participants from not knowing what assumptions will be used by AEMO or the ERA. This risk is reduced and can be managed by clause 6.20.9. which states a draft report describing how the recommended Minimum STEM Price has been derived.