

## Wholesale Electricity Market Rule Change Proposal Submission

**RC\_2019\_05**

### Amending the Minimum STEM Price definition and determination

#### Submitted by

<b>Name:</b>	Andrew Everett
<b>Phone:</b>	6282 7227
<b>Email:</b>	<a href="mailto:Andrew.everett@synergy.net.au">Andrew.everett@synergy.net.au</a>
<b>Organisation:</b>	SYNERGY
<b>Address:</b>	219 ST GEORGE'S TERRACE, PERTH
<b>Date submitted:</b>	16 June 2020

---

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.**

Synergy appreciates the opportunity to provide feedback in response to the call for further submissions: RC\_2019\_05 Amending the Minimum STEM Price definition and determination (Draft Report).

Should the responsibility for annually reviewing and setting the Minimum STEM Price be given to the Economic Regulation Authority (ERA) rather than AEMO?
---

In the Draft Report, the Rule Change Panel (RCP) proposed that the estimated cost differential of up to \$280,000 may provide justification in allowing the ERA to adopt responsibility of reviewing and setting the Minimum STEM Price.

The ERA Secretariat has quoted that "reviews of whether the current Minimum STEM Price is appropriate could be covered in the ERA's existing budget" whereas AEMO has provided preliminary estimates of c. \$300,000 for the initial review and c. \$70,000 for subsequent reviews. Synergy has concerns regarding the marked difference in costs provided by the ERA Secretariat and AEMO and questions whether the same rigour would be applied given the

variance. Synergy would expect that irrespective of which party takes responsibility to review the Minimum STEM Price, an independent consultant should be engaged for the initial review.

Although understanding of the RCP's intent to minimise costs, Synergy considers that the ERA may have underestimated, or AEMO may have overestimated, the initial costs of the initial review and that the actual cost differential may not be that significant.

Further, under clause 6.20.6 of the Market Rules, AEMO remains responsible for the annual review of the appropriateness of the value of the Minimum STEM Price and Alternative Maximum STEM Price. Synergy supports the segregation of duties and notes that the approach should be consistent across all Energy Price Limits.

Should the Minimum STEM Price be set at:

- the price that represents the 10% Conditional Value at Risk (CCaR), the 5% CaR or some other percentage, as explained in section 5 of this report;
- the price that is lower than 90% of the prices determined, lower than 95% or some other percentage; or
- any other specific price or value that is based on the decommitment costs considered in the approach proposed in the Draft Rule Change Report?

Synergy recommends that the Minimum STEM Price should be set at “any other specific price or value that is based on the decommitment costs” and reaffirms its view that if the price is set inefficiently low, this potentially creates unnecessary risk to generators and unnecessary costs to the market, especially if instances of floor prices are triggered with increasing regularity.

In the Draft Report, the ERA “suggested that the choice of the 90% threshold could result in a Minimum STEM Price that is too high and therefore may not allow for the differentiation of Facilities”. Synergy notes that in determining the Minimum STEM Price, it is critical to demonstrate that the additional risk placed onto generators will be less costly to the Market compared to reliance on AEMO to either turn down a generator or administer the tie-breaker mechanism.

Do stakeholders have any concerns with:

- the introduction of a head of power for AEMO (or the ERA if it is given the responsibility for the annual Minimum STEM Price review) to obtain the information it would need to determine the decommitment costs; and/or
- the proposed process for obtaining this information?

Synergy understands the rationale in introducing a head of power for AEMO to obtain the necessary information required to determine decommitment costs and supports this decision. However, Synergy wishes to highlight that information that is confidential in nature, or ‘AEMO Confidential’, must not be published.

Lastly, under proposed clause 9.20.8F, Market Participants are provided “at least five Business Days to provide” information requested by AEMO. Synergy considers that this may prove difficult to comply with, particularly if counterparty liaison is involved, and requests that the timeframe be extended to at least 10 Business Days.

Do stakeholders have any concerns about the introduction of the proposed guiding principles for setting the credible scenarios of low demand?

The RCP has proposed further amendments to the draft rules to “reflect that the only contract information that a prudent Market Generator would incur should be considered when setting the Minimum STEM Price”. Synergy reiterates its view that externalities, which may involve must run provisions associated with steam generation for example, should not be considered in setting the Minimum STEM Price.

Under proposed clause 6.20.8I, “where a Market Participant provides AEMO with satisfactory evidence under clause 6.20.8H, AEMO must consider the information when determining the revised Minimum STEM Price as far as the information affects AEMO’s reasonable estimate of any costs that a prudent Market Generator would incur when decommitting its Facility in the scenarios under clause 6.20.8A(a)”. Synergy interprets this draft clause as the requirement for AEMO to scrutinise evidence that appears unreasonable and for Market Participants to provide justification of imprudent estimates.

---