Rule Change Notice: Market Participant Fee Calculation Manifest Error (RC_2020_01)

This notice is given under clause 2.5.7 of the Wholesale Electricity Market Rules (**Market Rules**).

Submitter: Rule Change Panel

Date submitted: 24 January 2020

The Rule Change Proposal

This Rule Change Proposal seeks to correct manifest error in clause 9.13.1 of the Market Rules about the Market Participant Fee calculation.

The attached Rule Change Proposal gives complete information about:

- the proposed amendments to the Market Rules;

- relevant reference to the Market Rules and proposed specific amendments to the clause; and

- how the proposed amendments would allow the Market Rules to better address the Wholesale Market Objectives.

As clause 9.13.1 is a Protected Provision, the proposed Amending Rules in RC_2020_01 require Ministerial approval under clause 2.8.3 of the Market Rules.

Decision to progress the Rule Change Proposal

The Rule Change Panel has decided to progress Rule Change Proposal RC_2020_01 on the basis that it corrects a manifest error in the Market Rules and stakeholders should be given an opportunity to consider the Rule Change Proposal and provide submissions through the rule change process.

Timeline

This Rule Change Proposal will be progressed under the Fast Track Rule Change Process described in section 2.6 of the Market Rules, on the grounds that the proposed changes correct a manifest error, thereby satisfying the criteria in clauses 2.5.9(a) and 2.5.9(b) of the Market Rules.

The projected timeline for progressing this proposal is:
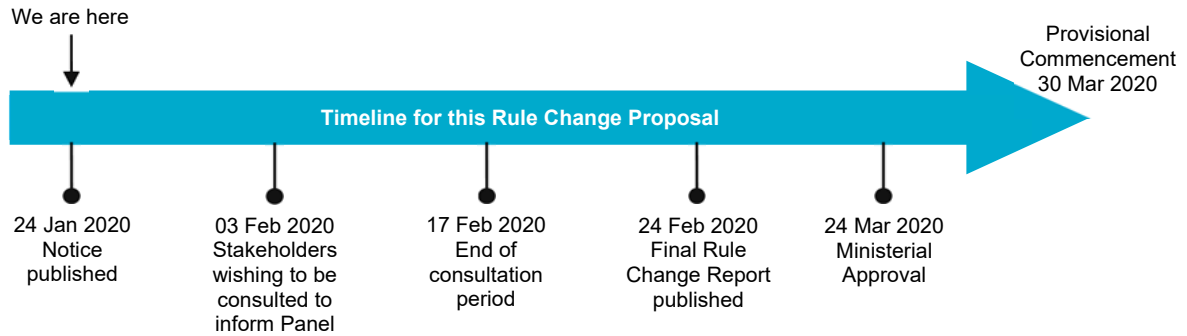
Call for submissions

Any Rule Participant wishing to be consulted regarding this Rule Change Proposal is invited to notify the Rule Change Panel within 5 Business Days of the Rule Change Notice publication date, by **5:00 PM on Monday 3 February 2020**.

The consultation period is 15 Business Days from the Rule Change Notice publication date. Submissions must be delivered to the RCP Secretariat by **5:00 PM on Monday 17 February 2020.**

The Rule Change Panel prefers to receive submissions by email sent to Support@rcpwa.com.au, using the submission form available at: https://www.erawa.com.au/rule-change-panel/make-a-rule-change-submission.

Submissions may also be sent to the Rule Change Panel by post, addressed to:

Rule Change Panel
Attn: Executive Officer
C/o Economic Regulation Authority
PO Box 8469
PERTH BC WA 6849

Wholesale Electricity Market Rule Change Proposal

Rule Change Proposal ID:	**RC_2020_01**
Date received:	**24 January 2020**

Change requested by:

Name:	Rule Change Panel
Phone:	(08) 6557 7900
Email:	rcp.secretariat@rcpwa.com.au
Organisation:	Rule Change Panel
Address:	Albert Facey House
	469 Wellington Street
	Perth WA 6000
Date submitted:	24 January 2020
Urgency:	2-High
Rule Change Proposal title:	Market Participant Fee calculation manifest error
Market Rule(s) affected:	9.13.1

Introduction

Clause 2.5.1 of the Wholesale Electricity Market (WEM) Rules (Market Rules) provides that any person may make a Rule Change Proposal by completing a Rule Change Proposal form that must be submitted to the Rule Change Panel.

This Rule Change Proposal can be sent by:

Email to: rcp.secretariat@rcpwa.com.au

Post to: Rule Change Panel
                Attn: Executive Officer
                C/o Economic Regulation Authority
                PO Box 8469
                PERTH BC WA 6849

The Rule Change Panel will assess the proposal and, within 5 Business Days of receiving this Rule Change Proposal form, will notify you whether the Rule Change Proposal will be further progressed.

In order for the proposal to be progressed, all fields below must be completed and the change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the Wholesale Market Objectives.

The objectives of the market are:

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

(b)   to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;

(c)   to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;

(d)   to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and

(e)   to encourage the taking of measures to manage the amount of electricity used and when it is used.

Details of the Proposed Rule Change

1.   **Describe the concern with the existing Market Rules that is to be addressed by the proposed rule change:**

On 14 November 2019, AEMO notified RCP Support of a manifest error in the calculation of Market Participant Fee. The manifest error in clause 9.13.1 of the Market Rules is due to an extra (-1) in the formula for the calculation of the Monthly Participant Load(p,m). If AEMO would apply the formula with the manifest error, this would result in Market Participants being paid instead of paying a Market Participant Fee for their consumption. However, this rule is intended to charge Market Participant Fees for both generation and consumption. The clause of the Market Rules with the relevant parts highlighted in yellow is:

9.13.1.   The applicable Market Participant Fee settlement amount for Market Participant p for Trading Month m is:

MPFSA(p,m) = (-1) x (Market Fee rate + System Management Fee rate + Regulator Fee rate) x (Monthly Participant Load(p,m) + Monthly Participant Generation(p,m))

Where

Market Fee rate is the charge per MWh for AEMO's services determined in accordance with clause 2.24.2 for the year in which Trading Month m falls;

System Management Fee rate is the charge per MWh for AEMO's system management services determined in accordance with clause 2.24.2 for the year in which Trading Month m falls;

Regulator Fee rate is the charge per MWh for funding the Economic Regulation Authority's and the Rule Change Panel's activities with respect to the Wholesale Electricity Market and other functions under these Market Rules and the Regulations determined in accordance with clause 2.24.2 for the year in which Trading Month m falls;

> Monthly Participant Load(p,m) = (-1) × Sum(d∈D,t∈T,Metered Load(p,d,t));

where

> Metered Load(p,d,t) for a Market Participant p for a Trading Interval t is the sum of the mathematical absolute values of the Metered Schedules for the Non-Dispatchable Loads and Interruptible Loads, registered to the Market Participant for Trading Interval t; and

> Monthly Participant Generation(p,m)
> = Sum(d∈D,t∈T, Metered Generation(p,d,t));

where

> Metered Generation(p,d,t) for Market Participant p for Trading Interval t is the sum of the mathematical absolute values of the Metered Schedules for Scheduled Generators and Non-Scheduled Generators, registered to the Market Participant for Trading Interval t; and

> D is the set of all Trading Days in Trading Month m, where "d" is used to refer to a member of that set;

> T is the set of all Trading Intervals in Trading Day d, where "t" is used to refer to a member of that set.

Under the current Market Rules, the Monthly Participant Load(p,m) results in a negative number as the Metered Load(p,d,t) is an absolute value. Consequently, the calculation of the Market Participant Fee settlement amount, MPFSA(p,m), will result in a positive amount (fee being payed) for any Monthly Participant Load(p,m) due to the (-1) in the formula. Examples of three different scenarios illustrating how this manifest error can affect a Market Participant's fee calculation are provided in Appendix A.

Therefore, under the current Market Rules, a Market Participant's metered energy consumption would reduce its Market Participant Fee and in certain cases a Market Participant would be paid a Market Participant Fee. The Rule Change Panel considers that this contradicts the intent of the calculation of the Market Participant Fees.

The Rule Change Panel notes that AEMO has confirmed that it is its understanding that clause 9.13.1 is intended to charge the Market Participant Fee on both generation and consumption, and that AEMO currently calculates Market Participant Fees in accordance with its understanding, as if the manifest error does not exist.

2. Explain the reason for the degree of urgency:

The Rule Change Panel considers it is necessary to make the changes as soon as practicable to remove any uncertainty for AEMO and Market Participants.

The proposed amendments are to correct a manifest error, and do not seek to alter the operation or intended meaning of the Market Rules. On this basis, the proposed amendments meet the requirements set out in clause 2.5.9(a) of the Market Rules to apply the Fast Track Rule Change Process.

The Rule Change Panel therefore proposes to progress this proposal under the Fast Track Rule Change Process.

The Rule Change Panel notes that the proposed amendments affect a Protected Provision and are thus subject to Ministerial approval.

The Market Advisory Committee (**MAC**) discussed this issue at its meeting on 26 November 2019 and was of the view that the issue is a manifest error and should be dealt with as soon as possible. The MAC also agreed that the Panel should develop and submit the Rule Change Proposal as soon as it has available resources using the Fast Track Rule Change Process.

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3. **Provide any proposed specific changes to particular Market Rules:** *(for clarity, please use the current wording of the rules and place a ~~strikethrough~~ where words are deleted and <u>underline</u> words added)*

9.13.1. The applicable Market Participant Fee settlement amount for Market Participant p for Trading Month m is:

…

Monthly Participant Load(p,m) = ~~(-1) ×~~ Sum(d∈D,t∈T,Metered Load(p,d,t));

…

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4. **Describe how the proposed rule change would allow the Market Rules to better address the Wholesale Market Objectives:**

The Rule Change Panel considers that the proposed amendments will better achieve Wholesale Market Objective (a) as they correct a manifest error in the calculation of the Market Participant Fees.

The Rule Change Panel considers that the proposed amendments are consistent with all other Wholesale Market objectives.

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5. **Provide any identifiable costs and benefits of the change:**

Costs

The proposed amendments are not expected to impose any costs on Market Participants or AEMO.

Benefits

The proposed changes correct a manifest error in the Market Rules and will ensure that the Market Rules will reflect the intent of the calculation of the Market Participant Fees.

Appendix: Examples of Market Participant Fee Calculations under the current Market Rules

Clause 9.13.1 is as follows:

$$\text{MPFSA}(p, m) = (-1)$$
$$\times \ (\text{Market Fee rate} + \text{System Management Fee rate}$$
$$+ \text{Regulator Fee rate})$$
$$\times \ \big(\text{Monthly Participant Load}(p, m)$$
$$+ \text{Monthly Participant Generation}(p, m)\big)$$

Where:

$$\text{Monthly Participant Load}(p, m) = (-1) \times \sum_{d \in D, t \in T} \text{Metered Load}(p, d, t)$$

$$\text{Metered Load}(p, d, t) = \sum_{\substack{f \in \text{Non-Dispatchable Loads} \\ \text{and Interruptible Loads}}} |\text{Metered Schedule}(f, t)|$$

$$\text{Monthly Participant Generation}(p, m) = \sum_{d \in D, t \in T} \text{Metered Generation}(p, d, t)$$

$$\text{Metered Generation}(p, d, t) = \sum_{\substack{f \in \text{Scheduled and Non-Scheduled} \\ \text{Generators}}} |\text{Metered Schedule}(f, t)|$$

Example 1: A Market Participant with Generation and Load offsetting each other

Let (Market Fee rate + System Management Fee rate + Regulator Fee rate) = $1/MWh and consider a Market Participant with:

- a single Non-Dispatchable Load that consumes 1 MWh (loss-adjusted) in every Trading Interval in April; and

- a single Scheduled Generator that generates 1 MWh (loss-adjusted) in every Trading Interval in April.

$$\text{MPFSA}(p, m) = (-1) \times (\$1/\text{MWh}) \times (-1{,}440\text{MWh} + 1{,}440\text{MWh}) = \$0$$

Where:

$$\text{Monthly Participant Load}(p, m) = (-1) \times 30 \times 48 \times 1\text{MWh} = -1{,}440\text{MWh}$$

$$\text{Metered Load}(p, d, t) = |-1\text{MWh}| = 1\text{MWh}$$

$$\text{Monthly Participant Generation}(p, m) = 30 \times 48 \times 1\text{MWh} = 1{,}440\text{MWh}$$

$$\text{Metered Generation}(p, d, t) = |1\text{MWh}| = 1\text{MWh}$$

The Market Participant would <u>pay no fees</u> under the current Market Rules.

Example 2: A Market Participant with Load and no Generation

Let (Market Fee rate + System Management Fee rate + Regulator Fee rate) = $1/MWh and consider a Market Participant with:

- a single Non-Dispatchable Load that consumes 1 MWh (loss-adjusted) in every Trading Interval in April.

$$MPFSA(p, m) = (-1) \times (\$1/MWh) \times (-1{,}440MWh + 0MWh) = \$1{,}440$$

Where:

$$Monthly\ Participant\ Load(p, m) = (-1) \times 30 \times 48 \times 1MWh = -1{,}440MWh$$

$$Metered\ Load(p, d, t) = |-1MWh| = 1MWh$$

$$Monthly\ Participant\ Generation(p, m) = 30 \times 48 \times 0MWh = 0MWh$$

$$Metered\ Generation(p, d, t) = |0MWh| = 0MWh$$

The Market Participant would <u>be paid</u> under the current Market Rules.

Example 3: A Market Participant with Generation and no Load

Let (Market Fee rate + System Management Fee rate + Regulator Fee rate) = $1/MWh and consider a Market Participant with:

- a single Scheduled Generator that generates 1MWh (loss-adjusted) in every Trading Interval in April.

$$MPFSA(p, m) = (-1) \times (\$1/MWh) \times (0MWh + 1{,}440MWh) = -\$1{,}440$$

Where:

$$Monthly\ Participant\ Load(p, m) = (-1) \times 30 \times 48 \times 0MWh = 0MWh$$

$$Metered\ Load(p, d, t) = |0MWh| = 0MWh$$

$$Monthly\ Participant\ Generation(p, m) = 30 \times 48 \times 1MWh = 1{,}440MWh$$

$$Metered\ Generation(p, d, t) = |1MWh| = 1MWh$$

The Market Participant would <u>be charged</u> under the current Market Rules.