

Wholesale Electricity Market Rule Change Proposal Submission

RC_2020_03 Estimates for GIA facilities

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 Rule Change Proposal RC_2020_03 Estimates for GIA facilities submitted by Alinta Energy. AEMO notes that the proposal is being progressed under the Fast Track process on the basis that it deals with a manifest error.

The Rule Change Proposal relates to the Relevant Level determination process specified in Appendix 9 of the Wholesale Electricity Market Rules.

The Relevant Level process is used in assigning Certified Reserve Capacity to Intermittent Generators by considering a Facility's capacity contribution during periods of peak load for scheduled generation (**LSG**). The lower the output, the lower the Capacity Credits that may be assigned.

Alinta's proposal seeks to amend the Relevant Level because of a potentially adverse commercial outcome for Facilities connected under the Generator Interim Access (**GIA**) solution. Alinta considers the urgency of the proposal is high as it is seeking implementation of the Amending Rules in time for the assignment of Certified Reserve Capacity for the 2020

Reserve Capacity Cycle.¹

The Rule Change Notice explains that Alinta considered that the Minister's Amending Rules to implement the GIA solution did not intend to prevent GIA generators from receiving an estimate in the scenario where a Network outage limits their output; and that this outcome was a manifest error in the Market Rules. AEMO agrees that this aspect of the proposal is a manifest error.

However, the proposed amendments go beyond considering just the impact of Network outages on GIA Facilities, albeit the Rule Change Proposal does not explain why. Under the proposed amendments to Appendix 9, a Facility would receive an estimate for all Trading Intervals where the Facility was constrained through the operation of the GIA process.

AEMO understands that the reason behind the proposal to include all GIA Trading Intervals is that the Constrained Access Entitlement (**CAE**) process already accounts for these constraints. However, AEMO has concerns that there could be implications for the CAE process if Appendix 9 is amended as proposed. AEMO has discussed these concerns with the Rule Change Panel Support team. At a high level, the concern is that the Relevant Level calculations are an input to the CAE process. By amending Appendix 9, the CAE process may be impacted. However, AEMO has not been able to validate the potential impact within the compacted Fast Track timeframes.

AEMO is also not aware of the scale of the impact that the proposal is seeking to address. AEMO considers that this information would assist AEMO's own assessment, should the RCP have that analysis and be able to share it.

While AEMO has not had time to consider these issues sufficiently given the compacted Fast Track timeframes, the proposed amendments could be limited to requiring estimates only for Trading Intervals that are impacted by Network outages. Amendments progressed on this basis would address the manifest error and deal with the primary concern raised in the Rule Change Proposal that GIA Facilities should not be impacted by Network outages. It could also be implemented in time for the 2020 Reserve Capacity Cycle. AEMO has previously suggested an implementation alternative for this, as discussed in section 3 below.

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

AEMO considers that correcting the manifest error will better facilitate Wholesale Market Objective (a) as it would improve economic efficiency by:

- allocating Capacity Credits to GIA Facilities in a manner that better reflects their contribution to the reliability of the power system.
- improve the consistency of the Relevant Level process, where it concerns the impact of Network outages.

As the Rule Change Proposal goes beyond the manifest error AEMO has not had sufficient time to assess the impacts of the broader changes.

¹ Application window closes on 1 September 2020 – refer to: <https://aemo.com.au/en/energy-systems/electricity/wholesale-electricity-market-wem/wa-reserve-capacity-mechanism/reserve-capacity-timetable>

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.

The proposal as drafted captures all GIA intervals. AEMO can implement the current drafting as part of its business as usual activities with relatively low effort and minor changes to existing tools. These changes can be implemented without any significant delays and having no separate implementation costs.

If the proposal were restricted to address the manifest error only, and limit estimates to GIA intervals related to a Network outage, then there is a risk that more effort will be required in the future. That is, the mechanism through which AEMO proposes to currently identify relevant Trading Intervals depends on the current GIA implementation approach. If that approach changes, the mechanism may no longer work, and an alternative solution will be needed. There has not been enough time to consider what this solution may require.

A lower cost alternative raised by AEMO at the 5 May 2020 Market Advisory Committee (**MAC**) meeting, is for the Market Participant to advise AEMO of Trading Intervals where the Facility's output was impacted by a Network outage. AEMO could then assess the Trading Intervals and provide a corresponding estimate. This method would involve some effort for both the Market Participant and AEMO. The process would be similar to the current Consequential Outage process. That is, the Market Participant would need to identify the relevant Trading Intervals which AEMO would then need to validate.

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

The Amending Rules as drafted will require minor changes to AEMO's business processes, and these could be implemented almost immediately. If the proposal is limited to GIA intervals relating to Network outages, then the alternative discussed at the 5 May 2020 MAC meeting could also be implemented almost immediately.

Some complimentary changes may be required to the Power System Operation Procedure: Dispatch, but these changes should not delay the implementation of the rule change.
