



INDEPENDENT
MARKET
OPERATOR

Wholesale Electricity Market Submission to Procedure Change Proposal

PPCL0024: Revised PSOP – Monitoring and Reporting Protocol

Submitted by

Name:	<i>Fiona Edmonds</i>
Phone:	<i>08 9486 3009</i>
Fax:	<i>08 9226 4688</i>
Email:	<i>fiona.edmonds@alintaenergy.com.au</i>
Organisation:	<i>Alinta Energy</i>
Address:	<i>Level 13 , 1 William Street, Perth WA 6000 Australia</i>
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Submission

Clause 2.10.7 of the Wholesale Electricity Market Amending Rules provides that any person may make a submission for a Procedure Change Proposal by filling in this Procedure Change Submission form.

Submissions for Procedure Changes that relate to the Power System Operation Procedures and IMO Market Procedures should be submitted to:

Independent Market Operator

Attn: Group Manager, Market Development
PO Box 7096
Cloisters Square, Perth, WA 6850
Fax: (08) 9254 4399
Email: market.development@imowa.com.au



1. Please provide your views on the Procedure Change Proposal, including any objections or suggested revisions:

Background

Currently under the Power System Operation Procedure (PSOP): Monitoring and Reporting the Tolerance Range applicable to Scheduled Generators is determined based on the dispatched Ramp Rate of a Facility in each Trading Interval (i.e. is a dynamic value that potentially adjusts in each Trading Interval). System Management proposes amendments to the formula for determining the Tolerance Range to use the Ramp Rate for a Facility stated in Standing Data which will result in a static value being calculated. Alinta understands that the use of a static Tolerance Range value is currently being applied by System Management for monitoring and by the IMO for settlement purposes.

Alinta's views

1. Proposed amendments to PSOP

While Alinta notes System Management's contention that the introduction of a dynamic Tolerance Range formula into the PSOP as part of the Procedure Change Proposal: Replaced PSOP's: Competitive Balancing and Load Following Market 3 (PPCL0023) was an oversight, it is unclear why a static Tolerance Range is preferred. It is also unclear how the proposed adoption of a static Tolerance Range would better achieve the Market Objectives relative to the current dynamic Tolerance Range contained in the PSOP.

The formula for determining the Tolerance Ranges was developed and consulted on prior to commencement of the new Balancing market and was originally intended to only apply for System Management's monitoring obligations. The formula developed by System Management was based on the National Electricity Market's large error trigger threshold formula which similarly provides a mechanism to identify non-compliance with dispatch targets. In the NEM the large error trigger threshold formula adjusts dynamically for a facility relative to its maximum output capability and ramp rate during the relevant trading interval.¹

Given the extended application of the Tolerance Ranges under the new Balancing market it is unclear why adopting a dynamic approach to tolerances would not be appropriate in the Wholesale Electricity Market (WEM). Alinta requests that evidence of the benefits (and associated costs) of using a static Tolerance Range as opposed to a dynamic Tolerance Range be presented and consulted on with industry prior to any further changes being made.

Additionally, Alinta notes that it has discussed directly with both System Management and the IMO the continued need for a separate consultation process on any changes to the Tolerance Range formula. Given the inclusion of the formula in the PSOP (which is therefore subject to a procedure change process if amendments are proposed) this additional consultation process is no longer necessary. Alinta therefore supports the removal of the requirements for a separate

¹ Refer to the System Operating Procedure: Dispatch available: http://www.aemo.com.au/Electricity/Policies-and-Procedures/System-Operating-Procedures/Dispatch-SO_OP3705

consultation process on the Tolerance Ranges as outlined in section 4.2 of the PSOP. For clarity Alinta notes that a separate consultation process for a Facility Tolerance Range is still required to be outlined in the PSOP given the discretion provided to System Management in setting these values.

2. Wider issues with use of Tolerance Range and Facility Tolerance Range for participant compliance

Alinta notes again its concern with the current piecemeal approach to addressing underlying market design issues that is being adopted in the WEM. The majority of regulatory changes that have recently been progressed have simply addressed the symptoms rather than the underlying design deficiencies. In particular, there is currently a lack of clarity in the Market Rules around a Market Participant's requirement to be compliant with a Dispatch Instruction. This issue appears to stem from the recent application of the concept of a Tolerance Range or Facility Tolerance Range (as applicable) to Facilities compliance under the Market Rules. Additionally it is uncertain whether the current Tolerance Ranges:

- are appropriate given their revised application to participants compliance; and
- should apply for Non-Scheduled Generation and Demand Side Management.

However rather than considering these wider conceptual issues and progressing a comprehensive solution, multiple rule and procedure changes have now been progressed to address related issues. This approach has resulted in an inefficient use of industry resources and ultimately meant the underlying deficiencies in the market design have not been addressed.

Alinta notes that under clause 2.13.6G System Management must review the Tolerance Ranges by 1 July 2013. Alinta requests that as part of this review System Management investigates the appropriateness of the currently applied static Tolerance Ranges given their revised application under the Balancing market. As part of this investigation, Alinta's previously recommended cost-benefit assessment of the use of static or dynamic Tolerance Ranges should be presented. Details of the outcomes of this investigation, including the cost-benefit assessment, should be subject to consultation with industry.