

## Christine Kang

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**From:** Jackson, Andrew <Andrew.Jackson@sawater.com.au>  
**Sent:** Tuesday, 15 December 2020 3:54 PM  
**To:** AEMO Settlements  
**Cc:** Andrew Jackson; Andrew Wilkins  
**Subject:** SA Water submission re Settlement of Zero or Negative Regional Demand

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

Hi Settlements,

SA Water has prepared the following submission to AEMO for consideration following the briefing provided by AEMO on 30 November 2020. AEMO requested responses to the following questions:

1. Do you agree with AEMO's proposed Option 1 short term solution?
2. Considering the options identified, are there other options that may be more appropriate? If so, please describe the option and any risks and benefits?

SA Water Responses:

1. SA Water does not support the proposed Option 1 solution for settlement of the market during periods of zero or low net system load.

SA Water actively manages its position in the market in each trading interval in response to price signals including FCAS charges and non-energy costs. We have significant concerns about the distortions to the marketplace introduced by any methodology that applies an average of historical load likely resulting in an overall increase in the cost of electricity to consumers as active management is rendered impossible. Additionally, we are concerned that any averaging mechanism will encourage further profiteering behaviour by participants who provide non energy services and take advantage of these averaged pricing events due to having prior knowledge of an (beneficial) alteration in their liability position under these low demand conditions.

2. Of the options identified by AEMO, SA Water prefers Option 3, the closest option to retaining a real-time pricing signal as it at least allows for some response to pricing in a prior trading interval and reflects adjustments in participant load and generation as they change over time. However, SA Water remains concerned that even under this option, the pricing signals observed for the settlement period may not be evident in the trading interval used for cost allocation which could lead to the above mentioned perverse outcomes.

Instead of the options proposed by AEMO, SA Water recommends an alternate Option be considered, taking a simplified implementation of the ESS proposal discussed in the issues paper, calculating the allocation of costs based on energy data streams. In the proposed simplified methodology, for each trading interval where there is zero or negative net system load, the net load for each connection point is partitioned into import and export streams based on the sign of the net ('N') data stream at that connection point. The sum of the system imports and exports is then used as the denominator while the sum of import and export for each participant is used for the allocation of costs for the trading interval. While this is a more technically complex solution, such a methodology would retain the direct relationship between load, generation and price signals in the market for each trading interval. By aligning to the draft ESS methodology this would also drive towards a standardised methodology for the allocation of costs in the electricity market in the future.

While SA Water accept that this proposal is a more complex and therefore more difficult solution to implement than those proposed by AEMO to date, we believe it remains technically feasible and is more equitable than any others proposed to date as it retains the features of a free-flowing electricity market that allows participants to respond to market signals and actively manage their position.

Can you please confirm receipt of the SA Water submission.

Kind Regards

**Andrew Jackson**

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