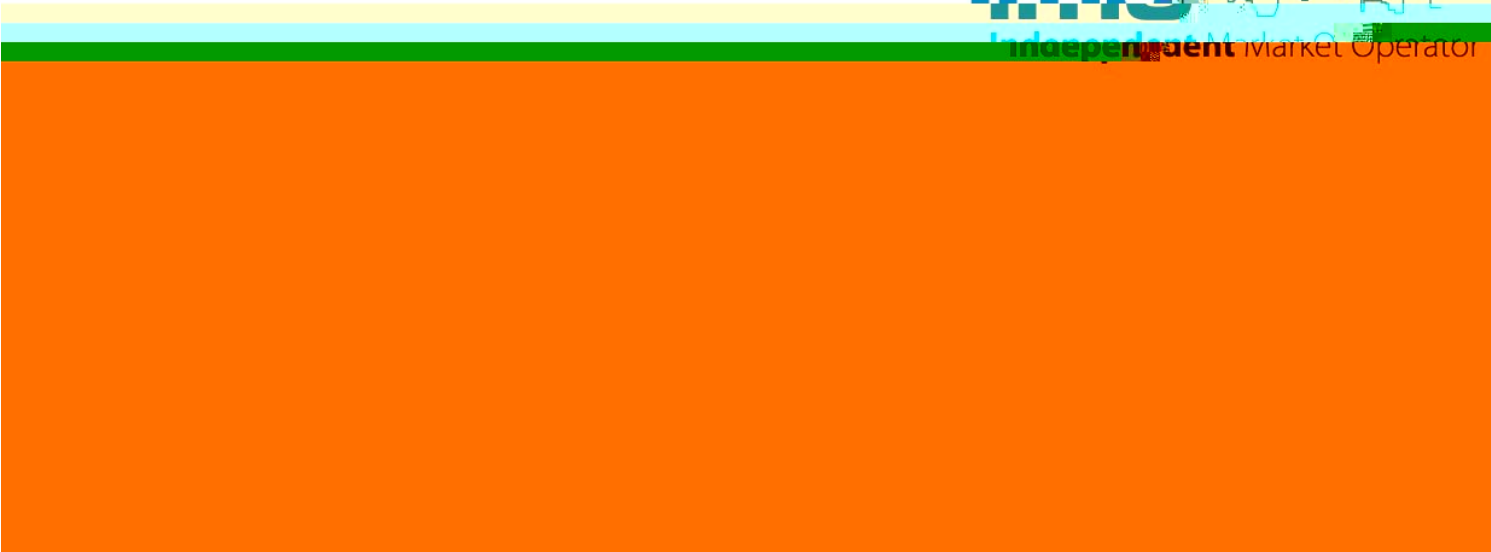

Wholesale Electricity Market Rule Change Proposal

Change Proposal No: RC_2010_33
Received date:

Change requested by Electricity Generation Corporation

Name:	Andrew Everett
Phone:	9424 1836
Fax:	9424 1818
Email:	



not fund Ancillary Services. Rather, the IMO recovers the costs of the Ancillary Services from Market Participants through the WEM settlement systems, and will use the revenue received to fund Ancillary Services provided by Verve Energy and any contracted Ancillary Service providers.

In the current market design Verve Energy is the default Ancillary Service provider. System Management is however able to contract with other suppliers for any of the Ancillary Services. The settlement system is designed on this basis:

The total cost of an Ancillary Service is:

- Proposed by the IMO or System Management; and
- Determined by the Economic Regulation Authority (ERA) (the ERA could approve the proposal or it could amend the total cost based on its own processes).

Verve Energy compensation is then determined as the balance from the total after deducting the total payment to other suppliers of Ancillary Services.

In the case of System Restart the total is proposed by System Management once every three years for the ERA to determine, though there is a provision for System Management to propose a revised total amount for years 2 and 3 of the 3-year review period. These revised totals are also subject to determination by the ERA.

Issue

Under the current settlement rules any third party suppliers for System Restart will be paid as set out in their contracts. These payments will then be deducted from the total determined by the ERA. In the event that, for whatever reason, the ERA sets the System Restart cost to be zero, this will currently give rise to a negative amount to be paid to Verve Energy. Effectively, that will mean that Verve Energy will be charged - actually paying the third party suppliers to supply the System Restart service. On top of making this payment Verve Energy will also be required to provide any further System Restart service in addition to the third party suppliers, as required by System Management under clause 3.11.7A, with no compensation.

Proposal

This proposal is to amend the settlement equations to remove the anomaly of Verve Energy paying third party suppliers for System Restart when the benefit goes to the market as a whole.

2. Explain the reason for the degree of urgency:

It is proposed that this Rule Change Proposal be progressed through the Standard Rule Change Process.

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

A new term ASP_Balance_Payment(i,m) has been introduced replacing the existing term ASP_Payment (i,m) in the definition for Electricity Generation Corporation AS Provider Payment(p,m). Note that ASP_Payment(i,m) continues to be used in the formula. The new term ASP_Balance_Payment(i,m) is determined in a new clause 9.9.3A

9.9.1. The Ancillary Service settlement amount for Market Participant p for Trading Month m is:

$$\begin{aligned}
 \text{ASSA}(p,m) = & \text{Electricity Generation Corporation AS Provider Payment}(p,m) \\
 & + d(p,i) \times \text{ASP_Payment}(i,m) \\
 & - \text{Load_Following_Share}(p,m) \\
 & \times (\text{Capacity_LF}(m) + \text{Availability_Cost_LF}(m)) \\
 & - \text{Reserve_Cost_Share}(p,m) \\
 & - \text{Consumption_Share}(p,m) \times \text{Cost_LRD}(m)
 \end{aligned}$$

Where

the Electricity Generation Corporation AS Provider Payment(p,m) =
 0 if Market Participant p is not the Electricity Generation Corporation and
 (Availability_Cost_R(m) + Availability_Cost_LF(m) + Cost_LRD(m))
 - Sum(i I, ASP_Balance_Payment(i,m)) otherwise.

d(p,i) is 1 if ASP i corresponds to Market Participant p and zero otherwise;

ASP_Payment(i,m) is determined in accordance with clause 9.9.3;

ASP_Balance_Payment(i,m) is determined in accordance with clause 9.9.3A

...

A new clause 9.9.3A is added to define ASP_Balance_Payment(i,m) now used in clause

(c) for Ancillary Service Contracts for Load Rejection Reserve Service and System Restart:

Max(0, Cost_LR(m) – sum(i I, ASP_LRPayment(i,m)) – sum(i I, ASP_BSPayment(i,m))); and

(d) the sum over all Ancillary Service Contracts for Dispatch Support of ASP_DSPayment(i,m), the payment under that contract

Where

each of the terms ASP_SRPayment(i,m), ASP_LFPayment(i,m), ASP_LRPayment(i,m), ASP_BSPayment(i,m) and ASP_DSPayment(i,m) is determined in accordance with clause 9.9.4 and

Cost_LR(m) is the total Load Rejection Reserve Service and System Restart services payment costs for Trading Month m as specified by the IMO under clause 3.22.1(g)(i)

Having made the Load Rejection Reserve Service and System Restart payment to Electricity Generation Corporation non-negative, if the total amount determined by the Economic Regulation Authority is zero, the IMO will be short after paying the third party suppliers. The amendment to clause 9.11.1 is to recover this payment to third party suppliers from Market Customers through the Reconciliation Settlement Amount. Market Customers are not charged a second time in this process as with Cost_LR having a zero amount for Load Rejection Reserve Service and System Restart these services are not charged in clause 9.9.1.

9.11.1. The Reconciliation Settlement amount for Market Participant p for Trading Month m is:

$$RSA(p,m) = (-1) \times Consumption_Share(p,m) \times \sum(q P,d D,t T,BSA(q,d,t) + NCC(q,m))$$

the market as a whole. In correcting this inequity the rule change should be seen as supporting the market and consistent with the Market Objectives.

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

Costs:

The IMO would require some changes to its settlement system.

Benefits:

The proposed changes will ensure Verve Energy is not required to pay for third party supplies of System Restart services for the benefit received by the market as a whole.