



RULE CHANGE NOTICE

CONSTRAINED ON AND OFF PRICES FOR NON-SCHEDULED GENERATORS

(RC_2012_08)

This notice is given under clause 2.5.7 of the Market Rules.

Date Submitted: 1 June 2012

Submitter: Suzanne Frame

THE PROPOSAL

The new Balancing Market arrangements resulting from the Rule Change Proposal: Competitive Balancing and Load Following Market (RC_2011_10) include the payment of Constrained On Compensation and Constrained Off Compensation to Market Generators for out of merit dispatch. Two errors affecting the calculation of these payments for Non-Scheduled Generators have been identified in the proposed







CALL FOR SUBMISSIONS

Any Rule Participant wishing to be consulted regarding this Rule Change Proposal is invited to notify the IMO within 5 Business Days of this notice being published (**11 June 2012**). The consultation period is 10 Business Days from the publication date of this Rule Change Notice. Submissions must be delivered to the IMO by 5.00pm on **Monday 18 June 2012**.

Submissions should be made by email to market.development@imowa.com.au using the submission form available on the IMO website: <http://www.imowa.com.au/rule-changes>. Submissions may also be sent to the IMO by fax or post, addressed to:

Independent Market Operator
Attn: Group Manager, Market Development
PO Box 7096
Cloisters Square, Perth, WA 6850
Fax: (08) 9254 4399





Wholesale Electricity Market Rule Change Proposal Form

Change Proposal No: RC_2012_08
Received date: 1 June 2012

Under the Amending Rules from RC_2011_10 Market Generators will receive a payment of Constrained On Compensation or Constrained Off Compensation in these cases, to ensure appropriate compensation is received. Constrained On Compensation will be paid to ensure that a Market Generator receives at least its bid price for any energy it generates, while Constrained Off Compensation will be paid to ensure that a Market Generator does not pay the Balancing Market more for a quantity of energy than the price at which it offered to generate that energy.

Constrained On Compensation and Constrained Off Compensation will be applicable to all Balancing Facilities, including Scheduled Generators, Non-Scheduled Generators and the Verve Energy Balancing Portfolio (VEBP). New sections 6.16A and (for the VEBP) 6.16B describe the calculation of Out Of Merit Generation quantities, while the various quantities and prices used to calculate Constrained On Compensation and Constrained Off Compensation are outlined in new clauses 6.17.3 – 6.17.5A. These values will be used in the calculation of the balancing settlement amount for each Market Participant under clause 9.8.1.

Issue

A Constrained On Compensation Price is intended to reflect the amount by which the Market Generator's loss factor adjusted bid price for the relevant quantity of energy exceeds the Balancing Price, i.e. bid price – Balancing Price. For example, if the Balancing Price is \$80/MWh and a Balancing Facility is constrained on and generates an additional 10 MWh that it offered at \$100/MWh in its Balancing Submission, then it should receive $(\$100 - \$80) * 10 = \$200$ as Constrained On Compensation. This price calculation is correctly reflected in clauses 6.17.3(b) and 6.17.3(c)(ii) (for Scheduled Generators) and clauses 6.17.5(b) and 6.17.5(c)(ii) for the VEBP. However, in clause 6.17.3A(b) (for Non-Scheduled Generators) the order of the two prices has been incorrectly reversed, so that the bid price is being subtracted from the Balancing Price. In the example above, this would result in the Market Generator being charged \$200 rather than paid \$200.

Clause 6.17.4A(b), which prescribes the Constrained Off Price calculation for a Non-Scheduled Generator, contains a similar error. Constrained Off Prices are intended to reflect the amount by which the Balancing Price exceeded the price at which the Market Generator offered to generate the relevant energy quantity, i.e. Balancing Price – bid price. While clauses 6.17.4(b), 6.17.4(c)(ii), 6.17.5A(b) and 6.17.5A(c)(ii) correctly reflect this calculation for Scheduled Generators and the VEBP, clause 6.17.4A(b) shows the calculation as bid price – Balancing Price, resulting in a charge to the Market Generator instead of a payment.

Proposal

The IMO proposes to correct the order of the terms in the subtractions in new clauses 6.17.3A(b) and 6.17.4A(b), so that Constrained On Compensation Prices and Constrained Off Compensation Prices for Non-Scheduled Generators are calculated as positive amounts. The proposed amendments will bring these calculations into alignment with the corresponding calculations for Scheduled Generators and the VEBP and will ensure that Non-Scheduled Generators are paid (and therefore appropriately compensated) in these instances rather than incorrectly being charged.

- (b) ~~CoffP1 equals the Loss Factor Adjusted Price in the Balancing Price-Quantity Pair associated with the Balancing Facility less the Balancing Price for that Trading Interval less the Loss Factor Adjusted Price in the Balancing Price-Quantity Pair associated with the Balancing Facility for that Trading Interval.~~
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4. Describe how the proposed Market Rule change would allow the Market Rules to better address the Wholesale Market Objectives:

The IMO considers that the proposed amendments correct a manifest error in the Amending Rules for RC_2011_10 and are consistent with the Wholesale Market Objectives.

Further, the IMO considers that once the Amending Rules from RC_2011_10 commence the proposed amendments will allow the Market Rules to better address Wholesale Market Objective (c). The changes will avoid discrimination against Non-Scheduled Generators that are dispatched Out Of Merit, by ensuring that they are paid Constrained On Compensation and Constrained Off Compensation in the same way as other Balancing Facilities.

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

Costs:

The IMO has not identified any additional IT or other costs for this Rule Change Proposal.

Benefits:

Correction of a manifest error in the Amending Rules for RC_2011_10.

Consistent treatment of Non-Scheduled Generators and other Balancing Facilities.
