

Wholesale Electricity Market Rule Change Proposal Submission

RC_2017_06

Reduction of the prudential exposure in the Reserve Capacity Mechanism (RC_2017_06)

Submitted by

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Submissions on Rule Change Proposals can be sent by:

Email to: rcp.secretariat@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.

Bluewaters notes that the proposed changes to Step 5 of Appendix 5 of the Market Rules mean the new meters will get “free” IRCR for the first three months. In RC_2017_06, AEMO proposed that the resulting IRCR shortfall be recovered through an upwards adjustment to the Total Ratio.¹

This upwards adjustment to the Total Ratio is essentially a subsidy of the new meter’s IRCR costs by all Market Customers. Bluewaters considers a subsidy compromises economic efficiency and therefore does not promote the Wholesale Market Objectives. In addition, there are no justifications to impose such subsidy for meeting any of these objectives.

Bluewaters considers such subsidy can be avoided by changing the new meters’ meter data reference month from month ‘n-3’ to month ‘n’. AEMO did 514428 @ (1/10/17)

before on-billing their customers”². Bluewaters considers there is no justification to value the Market Customers’ IRCR certainty more than the economic efficiency gained by not imposing the subsidy.

Bluewaters considers the economic efficiency gain should be valued higher than IRCR certainty. This is because the former is a public benefit which supports the Wholesale Market Objectives while the latter is a private benefit to Market Customers.

In addition, Bluewaters considers such IRCR uncertainty can be mitigated by Market Customers reliably estimating their new meters’ reading for calculating their IRCRs (including those for the first three months).³ Any discrepancy between the estimate and actual can be reconciled in the proposed IRCR adjustment process in the progressive rounds of the settlement cycle. This is also consistent with the principle set out in dot point 4 in page 9 of RC_2017_06.⁴

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

Subject to its comments above, Bluewaters considers RC_2017_06 is likely to address the identified prudential risk, and in turn likely to promote the Wholesale Market Objectives.

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