

From: Andrew Sutherland [mailto:ASutherland@ermpower.com.au]
Sent: Wednesday, 22 September 2010 11:13 AM
To: Jenny Laidlaw
Subject: RE: RDIWG - Scheduling Day timeline

Jenny, one suggestion is to allow the STEM window to open at the same time as the bilateral window. I can't see any reason why this should be a problem and will have the benefit of allowing participants to submit STEM prior to bilateral window closing. This may allow for the STEM window to close earlier but as the STEM is Market Generators most critical window this may not be supported by all participants.

Cheers
Andrew

From: Dykstra, Corey [mailto:corey.dykstra@alinta.net.au]
Sent: Wednesday, 22 September 2010 2:44 PM
To: Jenny Laidlaw; ASutherland@ermpower.com.au; shane.cremin@thegriffingroup.com.au; p.peake@perthenergy.com.au; steve.gould@landfillgas.com.au; paul.hynch@energy.wa.gov.au; John.Rhodes@synergy.net.au; Andrew.Everett@verveenergy.com.au; Chris.Brown@erawa.com.au; phil.kelloway@westernpower.com.au; Allan Dawson; William Street; Troy Forward; Jacinda Papps; gthorpe@oakleygreenwood.com.au; jim@concept.co.nz; Douglas Birnie; chin.koay@verveenergy.com.au; Brendan.Clarke@westernpower.com.au
Subject: RE: RDIWG - Scheduling Day timeline
Importance: High

All

The following are preliminary comments from Alinta.

1. Close of Resource Plan Window

Based on the proposed Scheduling Day timeline and durations, the Resource Plan window would close at 4.10pm. Although the schematic refers to the DBP 4.00pm nomination time, this is largely irrelevant as Shippers can renominate transmission nominations up until 8.00pm on the trading day. The 4pm DBP deadline is for an initial nomination only.

Producer nominations are much more relevant as this will impact on pipeline imbalances, and closing the Resource Plan Window at 4.10pm is later than the latest nomination time to gas producers (although contracts are likely to vary in regards to cut off time).

2. Duration of Resource Plan Window

Based on the proposed Scheduling Day timeline and durations, the Resource Plan window has been reduced from 1 hour 50 minutes to 30 minutes.

Alinta require the full 1 hour 50 minutes ensuring an optimal resource plan. This is because the lumpiness of the STEM results creates a substantial amount of work to determine a Resource Plan.

Should the 1 hour 50 minutes window be retained for the resource plan this would push the processing past the end of the business day. This would be difficult to resource and would result in additional costs being incurred.

3. Duration of the Bilateral Window

Alinta notes that under the proposed Scheduling Day timeline and durations, the Bilateral window would be extended from 7 days and 50 minutes to 7 days, 6 hours and 20 minutes. Alinta notes that Bilateral Submissions can also be input prior to scheduling day and as such provides the greatest deal of flexibility in regards to renomination and timelines. The proposed increase in the time allowance appears excessive.

4. Duration of STEM window

To the extent that the durations are being reviewed, Alinta considers it would be desirable that the duration of the STEM window increase to an hour and 30 minutes. While submissions are generally quick, the cost of failing to submit a STEM/Resource Plan can be significant.

In this context, Alinta considers that the current 50 minute STEM window fails to provide adequate time to mitigate IT risks, as it is not long enough to enable other potential arrangements to be made.

5. Contingency planning

The indicative timeline does not appear to have contemplated the ability of the IMO to extend the Bilateral/STEM/Resource windows by up to 2 hours could result in participants submitting Resource Plans as late as 6.00pm. This would create resourcing challenges as participants would probably need additional operational staff to cover morning and afternoon shifts.

In summary, Alinta is concerned that:

- shifting the Scheduling Day timelines risks creating a misalignment between the close of nominations to gas producers and the close of the Resource Plan window; and
- shifting the Scheduling Day timelines creates resourcing challenges as participants would probably need additional operational staff to cover morning and afternoon shifts; and
- shortening the Scheduling Day durations increases operational risk.

Even if the misalignment was able to be resolved, at this stage it is not clear that the increase in operational risk would be offset by broader market benefits given it is unlikely that participants other than Synergy would benefit from the changes being contemplated.

For consideration and discussion.

Kind regards

Corey

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Sent: Friday, 24 September 2010 5:38 PM

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Cc: Stephen MacLean

Subject: RE: RDIWG - Scheduling Day timeline

All

In response to Alinta's earlier comments Synergy wishes to make the following points for consideration by the RDIWG.

Market Benefits

The first point and very important one that needs to be clarified is that any proposal to closer align electricity and gas nominations is not based upon any benefit exclusive to Synergy. Specifically, Synergy has not represented this position, rather it has indicated benefits would accrue to the market as a whole through accessing updated weather forecasts closer to the trading day resulting in more accurate bilateral nominations which would in turn result in more efficient STEM prices (i.e. more correctly reflect the marginal value of the uncontracted energy expected to be available).

In support of the proposal, Synergy has given the example that avoiding less accurate weather forecasts by using the better midday readings could change Synergy's nomination by up to hundreds of MW which would cause a similar magnitude change in the market load. However, the key point is that less accurate load forecasts distort STEM prices: increasing prices if an over forecast happens and potentially disallowing STEM offers from being cleared if significant under forecasting happens.

Taking advantage of updated weather forecasts, through delaying nomination windows will reduce these STEM pricing inefficiencies which would benefit all market participants.

Close of Resource Plan Window

Synergy understands that existing gas producer contracts contain considerable flexibility including the right in some contracts to effect intra-day re-nominations. However our market intelligence is indicating that certain suppliers are attempting to restrict re-nominations to 4 pm on the scheduling day.

Allowing a 4 pm gas re-nomination closure on the scheduling day to become the market norm will make development of a net pool market more difficult and virtually impossible for a gross pool. Such inflexibility, if allowed to become established, will lock-in significant barriers removing opportunities for the market to evolve to a more efficient state; a cost which will be borne by the ultimate beneficiaries of the market, the customers.

It should also be noted that shippers have considerable imbalance allowances available through shipping tolerance provisions.

Duration of Resource Plan Window

Currently, the market provides a 1 hour and 50 minutes window for resource plans to be submitted. It actually allows a slightly longer period given STEM volumes are published half an hour prior to the opening of the resource plan window. Given aligning the electricity and gas market nomination processes will require consideration of reducing the total market

processing window, an important question here is whether this amount of time is needed for generators to finalise and submit resource plans, bearing in mind that this is a daily activity.

Synergy considers that no longer than 20 minutes should be sufficient for a competent market generator to make the necessary submission. Noting that typically a resource plan is already prepared from the previous day (given generally contiguous days are not too different) and that a market generator can have earlier decided its bilateral cover, and is only waiting for its incremental STEM position, then this suggests that 30 minutes as proposed by the IMO is generous.

Duration of the STEM Window

In Synergy's view, the current 50 minute STEM window is more than adequate given STEM submission are also a daily activity. Synergy acknowledges that IT system failures are a risk but would be considered as outlier events that may or may not be remedied within one, two or more hours depending on their nature. The market has recognised the potential for this to occur through the provision of standing data and market participants can minimise the impact of IT failures by updating their standing data with the periodicity determined by their assessment of the relative risk.

Contingency Planning

Moving to an afternoon nomination creates changes in operational timeframes and given the potential for a 2 hour delay to arise from IMO system problems then it is possible that market activities would move beyond the usual close of business. Given such events are not likely to be frequent, in fact increasingly rare reflecting the fact that the market has been operating for more than 4 years, standard operational timeframes would be expected to prevail.

However, when the market is exposed to such unavoidable delays a reasonable market participant would respond with a degree of tolerance and complete all necessary transactions with the diligence appropriate to their business risk requirements, even though this would extend the standard timeframe. In fact the prudent participant would recognise this risk exists and make plans to mitigate it such that the position of its business is safeguarded. Synergy would expect that all market participants would undertake such contingency planning as a matter of course.

Regards

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