

Wholesale Electricity Market Rule Change Proposal Submission

RC_2018_06: Full Runway Allocation of Spinning Reserve Costs

Submitted by

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Submissions on Rule Change Proposals can be sent by:

Email to: support@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.

The Australian Energy Market Operator (**AEMO**) appreciates the opportunity to provide this submission to the Rule Change Panel in response to the Rule Change Notice: Full Runway Allocation of Spinning Reserve Costs (RC_2018_06) (**Rule Change Proposal**).

AEMO supports the intent of the Rule Change Proposal and agrees with the methodology proposed. However, AEMO believes that there is an opportunity to improve the clarity and readability of Appendix 2 of the Rule Change Proposal through a few additional changes. These are detailed below.

Synchronisation check in Step 1

Step 1 currently proposes to set the applicable capacity to zero if:

- the facility was not synchronised to the SWIS during the whole Trading Interval or
- the applicable capacity resulting from the methodology in Step 1 produces a value of less than or equal to 10.

AEMO is unable to perform the proposed synchronisation check as this information is not available or stored. AEMO could potentially infer that a facility is synchronised to the SWIS through positive meter/SCADA measurements, however this approach may not appropriately classify facilities that have been islanded. AEMO proposes to remove the synchronisation check to simplify this calculation and reduce cost of implementation for this relatively rare

occurrence. AEMO's cost estimate in Section 3 below for Option 1 below assumes this check is removed.

AEMO proposes that this section of Step 1 be updated to:

The applicable capacity value is set to zero if the applicable capacity value for facility f resulting from the process described in the bullet points in this Step 1 is less than or equal to 10.

Equation Syntax in Step 3

The variable that defines the Facility Spinning Reserve Share, $FSRS(f, t)$, is defined by two variables; facility f and Trading Interval t .

The Facility Spinning Reserve Share for facility f is dependent on the capacity of that facility determined under Step 1 and its rank determined under Step 2. These values are likely to vary from interval to interval, hence the variables on the right hand side of the equation should be represented as a function of Trading Interval t . Their respective descriptions have also been updated to reflect this.

AEMO proposes that the formula defined in Step 3 be updated to:

$$FSRS(f, t) = \sum_{i=1}^{rank(f,t)} \frac{MW(i, t) - MW(i - 1, t)}{MW(n, t) \times (n + 1 - i)}$$

Where:

n is the total number of facilities in the ranked list for Trading Interval t , determined in Step 2.

$rank(f, t)$ is the rank of facility f for Trading Interval t , as determined under Step 2.

$MW(i, t)$ is the applicable capacity associated with the facility at rank i for Trading Interval t , where $MW(0, t) = 0$.

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

AEMO agrees with the assessment detailed in Section 4 of the Rule Change Proposal.

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 costs involved in implementing these changes.

This Rule Change Proposal will require AEMO to update its settlement system and AEMO has identified two potential approaches which are discussed below:

Options	Description	Indicative effective date	Cost Estimate
Option 1: Implement in the current settlement system	Requires changes to be implemented in AEMO's current settlement systems and enables the Rule Change Proposal to come into effect as soon as possible. Under this option, the changes will have a usable life of approximately:	Q4 2019, assuming Final Rule Change Publication date of 30 April 2019 is met.	\$240,000

	<ul style="list-style-type: none"> - 12 months if the WEM settlement system is replaced in Q4 2020, or - 34 months if the WEM settlement system is not replaced in Q4 2020. 		
<p>Option 2: Implement in the replacement settlement system</p>	<p>As raised in the WA Electricity Consultative Forum on 11 December 2018, AEMO are investigating the option of replacing the remainder of the Brady POMAX settlement system functionality.</p> <p>If this option is progressed, it would implement the Rule Change Proposal as a part of that settlement replacement project.</p> <p>Depending on the extent of the changes delivered through Market Reform, AEMO intends for the replacement settlement system to exist beyond 2022.</p> <p>This approach has the benefit of reducing the delivery risk associated with AEMO's project portfolio (including WEM Reform) by executing fewer projects concurrently, however will delay when the proposed changes will come into effect.</p>	Q4 2020	Nil

Option 2 provides the simplest implementation pathway for AEMO to deliver the proposed changes, noting that AEMO is in the process of determining an appropriate corporate plan with respect to replacing the WEM settlement system and expects a decision to be made by February/March 2019.

AEMO notes that both options are subject to receiving funding approval from the Economic Regulatory Authority in the upcoming Allowable Revenue submission for the three years commencing 1 July 2019.

4. Please indicate the time required for your organisation to implement the change, should it be accepted as proposed.

Under Option 1, AEMO anticipates it will require approximately four months from the publication of the Final Rule Change Report to deliver the necessary system changes required.

Under Option 2, the system changes required to support the Rule Change Proposal will be delivered as a part of a broader settlement replacement project. The schedule for delivering a replacement settlement system has not been set, however preliminary estimates indicate a Q4 2020 completion.
