

WHOLESALE ELECTRICITY MARKET

Submission to Procedure Change Proposal

AEPC_2018_02: Tolerance Ranges

Submitted by	
Name:	Jacinda Papps
Phone:	08 9486 3009
Fax:	08 9486 3951
Email:	Jacinda.papps@alintaenergy.com.au
Organisation:	Alinta Energy
Address:	The Quadrant Level 13, 1 William St, Perth WA 6000
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Submission

Clause 2.10.7 of the Wholesale Electricity Market Rules provides that any person may make a submission for a Procedure Change Proposal (including proposals developed by AEMO, the Economic Regulation Authority or the Rule Change Panel) by completing this Procedure Change Submission form.

Submissions should be provided by email to the nominated contact in the call for submissions published with the Procedure Change Proposal.

Please provide your views on the Procedure Change Proposal, including any objections or suggested revisions

Alinta Energy (**Alinta**) welcomes the opportunity to provide a submission to the Australian Energy Market Operator (**AEMO**) on its *Procedure Change Proposal: Tolerance Ranges (Procedure Change Proposal)*.

Alinta notes that AEMO has proposed a new procedure¹ required under clause 2.13.6K of the Wholesale Electricity Market Rules (Market Rules). Specifically, clause 2.13.6K of the Market Rules requires that System Management document the procedure for determining and reviewing the annual Tolerance Range and any Facility Tolerance Ranges.

In reviewing the Procedure Change Proposal, Alinta has identified the following issues for consideration by AEMO:

- Step 1.3.2(c): This step notes that the procedure applies to “Market Participants in complying with the Tolerance Range and any Facility Tolerance Ranges that apply to them”.

Alinta notes that the purpose of the Tolerance Range (including any Facility Tolerance Ranges) is to relieve System Management of its obligations to report any alleged breaches by a Market Participant of clause 7.10.1 or clause 3.21 of the Market Rules to the Economic Regulation Authority (**ERA**) if the extent of the alleged breach is within the Tolerance Range of the Facility Tolerance Range for that Facility.

As such, Alinta does not agree that there is an obligation on Market Participants to comply with the Tolerance Range and any Facility Tolerance Ranges that apply to them. The obligation is for Market Participants to comply with clauses 7.10.1 or 3.21 of the Market Rules and if they don't comply with these rules, System Management is obligated to report any breaches outside the tolerances to the ERA.

Given this, Alinta considers that step 1.3.2(c) should be deleted.

- Step 2.1.2: This step outlines the factors AEMO will use in setting the Tolerance Range, and includes:
 - (a) The degree of compliance with Dispatch Instructions and Operating Instructions to ensure the SWIS operates in a secure and reliable manner;
 - (b) The degree of costs imposed on Market Participants as a result of AEMO's monitoring of compliance with Dispatch Instructions and Operating Instructions are minimised; and
 - (c) The degree of operational impost on Market Participants for deviations that are not significant.

Alinta understands that in setting the initial Tolerance Range (in 2011) System Management adopted monitoring methodologies from the National Electricity Market equivalent to a 'Large error trigger threshold' formula and applied it in the Wholesale Electricity Market to constitute an instantaneous Tolerance Range threshold around a

¹ Previously contained in the Power System Operation Procedure: Monitoring and Reporting

real time dispatch schedule². System Management has applied the same Tolerance Range formula to Scheduled Generators since 1 July 2012.

Further, step 3.2.1 notes that in reviewing the Tolerance Range, the factors that AEMO will consider include, but are not limited to:

- (a) any submissions received from Market Participants or stakeholders;
- (b) the number and extent of historical deviations from Dispatch Instructions;
- (c) the likely impacts of deviations from Dispatch Instructions on the standard for Load Following Service;
- (d) any directions received from the ERA under clause 2.13.6H of the WEM Rules; and
- (e) any other circumstances or information that AEMO considers relevant.

Alinta's reading of steps 2.1.2 and 3.2.1 in the Procedure Change Proposal is that going forward the Tolerance Range will be set following a different mechanism to how it has previously been set and notes that applying the factors in steps 2.1.2 and 3.2.1 will likely lead to a more dynamic annual Tolerance Range.

Participants benefit from certainty in this area, therefore Alinta is **not supportive** of what reads to be a more dynamic process to setting and reviewing Tolerance Ranges.

- Step 3.2.3: This step notes that where AEMO does not consider the Tolerance Range requires adjustment, AEMO must publish the outcomes of the review on the Market Web Site, including any submissions received from Rule Participants.

Alinta assumes that the reference to submissions received by Rule Participants in this step are those received under step 3.1.3. If so, there would be value in referring to this step for additional clarity.

- Step 3.3.2: This step notes that a Market Participant may request in writing that the ERA determine a Facility Tolerance Range or reassess the Facility Tolerance Range for that Market Participant's Facility.

Alinta's does not consider this step to be consistent with the requirements in clause 2.13.6H of the Market Rules, which states that:

A Market Participant may request in writing that the Economic Regulation Authority reassess a Facility Tolerance Range for that Market Participant's Facility.

Given this, Alinta considers that AEMO should remove the words "determine a Facility Tolerance Range or" from step 3.3.2.

- Steps 3.3.3 and 3.3.4: Step 3.3.3 notes that "AEMO will vary a Facility Tolerance Range as directed by the ERA" and step 3.3.4 notes that "Where AEMO considers that a Facility Tolerance Range is required or requires adjustment, or AEMO is directed by the ERA to vary a Facility Tolerance Range, AEMO must follow step 4.2."

² See: https://www.aemo.com.au/media/docs/default-source/rules/other-wem-consultation-docs/2011/system_management_tolerance_range_threshold_consultation_paper_v2-05eee.pdf?sfvrsn=2

Alinta considers that these steps are inconsistent with each other. Step 3.3.3 contemplates ERA issuing System Management with a direction to vary a Facility Tolerance Range. Alinta has interpreted this requirement as ERA directing AEMO as to what the Facility Tolerance Range should be. When reading steps 3.3.3 and 3.3.4 together it seems that AEMO has interpreted the ERA direction as directing AEMO to redo the Facility Tolerance Range process. Alinta considers that there would be value in reviewing and clarifying these steps.

- Steps 4.1 and 4.2: Steps 4.1.2 and 4.2.3 require AEMO to consult on a Tolerance Range or a Facility Tolerance Range respectively and steps 4.1.3 and 4.2.4 require AEMO to determine the Tolerance Range or a Facility Tolerance Range after the consultation period. However, Alinta is broadly concerned that there is no explicit requirement for AEMO to consider any issues raised in submissions as part of this Procedure Change Proposal.
- Step 4.1.1: For clarity Alinta suggests the following amendment to this step:

Where AEMO resolves in step 3.2.2 that the Tolerance Range applying to all Facilities that are not subject to a Facility Tolerance Range requires adjustment, AEMO must propose a new Tolerance Range.