

# WHOLESALE ELECTRICITY MARKET

## Submission to Procedure Change Proposal

**PC\_2017\_01**

**Determination of Expected DSM Dispatch Quantity and DSM Activation Price**

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### Submission

Clause 2.10.7 of the Wholesale Electricity Market Amending Rules provides that any person may make a submission to a Procedure Change Proposal by filling in this Procedure Change Submission form.

Submissions relating to AEMO Procedure Change Proposals should be submitted by email to the nominated AEMO 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**

Synergy considers that the proposed Market Procedure for the Determination of Expected DSM Dispatch Quantity and DSM Activation Price is appropriate to address clause 4.5.14B of the Market Rules.

In reviewing the Procedure Change Proposal, Synergy has identified the following issues for further consideration by the Australian Energy Market Operator (AEMO):

**Major Issues:**

- Item 2.1.1(d) is in contradiction to Market Rule clauses 4.5.13(h). Under this Market Rule clause, the Expected DSM Dispatch Quantity is set in the Statement of Opportunities published in June prior to the start of the Capacity Year. In comparison item 2.1.1(d) has the Expected DSM Dispatch Quantity being calculated using data as at October (the start of the Capacity Year in question). Synergy also notes that this discrepancy exists within the Market Rules between clauses 4.5.13(h) and 4.5.14C

Synergy is of the view that the setting of the Expected DSM Dispatch Quantity should be at the same time as the setting of the DSM Reserve Capacity Price given that the Expected DSM Dispatch Quantity is an input into the calculation of the DSM Reserve Capacity Price. Under Market Rule clause 4.5.13(i) and item 3.1.2 of this procedure, the DSM Reserve Capacity Price is set in the SOO published just prior to the start of the capacity year in question. Thus Synergy is of the view that the expected DSM Dispatch Quantity should also be set in the SOO and therefore item 2.1.1(d) should be amended as follows:

- (d) dividing the difference in step (c) by the total of all DSM Capacity Credits assigned to all DSPs Demand Side Programmes for the Relevant Capacity Cycle as at the date of the publication of the Statement of Opportunities prior to 1 October of Year 3 of the Relevant Capacity Cycle.

**Moderate Issues:**

- With regard to item 2.2.4, Synergy requests further information as to the approach for determining  $EUE_{t,0}$  and  $EUE_{t,200}$ . Synergy is of the view that the procedure for the Long Term PASA should be amended to include a process and methodology as to how the values of  $EUE_{t,0}$  and  $EUE_{t,200}$  will be determined. With this in mind Synergy proposes the following amendment:

- 2.2.4 The approach used to calculate  $EUE_{t,0}$  and  $EUE_{t,200}$  is to be defined in the Market Procedure : Undertaking the LT PASA and Conducting a Review of the Planning Criterion and must be consistent with the approach used for the reliability assessment of the Long Term PASA study<sup>3</sup>.

- In item 2.2.5(f), Synergy requests clarification on whether the location of a DSP is assessed in terms of its impacts on network constraints. Synergy notes that this assessment should be undertaken during certification (under clause 4.10.1(g) of the Market Rules and Chapter 6 of Market Procedure: Certification of Reserve Capacity) however as the individual loads that make up each DSP may not be known at the time of certification, this task may not be able to be completed at the time of certification.

Synergy suggests a reassessment should be undertaken closer to the start of the capacity year, and could be done via item 2.2.5(f) in this Market Procedure.

- In item 3.2.2, Synergy is of the view that there should be the opportunity for market participants to provide comment on AEMO’s assessment of the need for a VCR Study on the assumption that the costs of the study will be paid for by market participants. Synergy would also like further information on how the costs of the study are intended to be recovered.
- For the consultation processes for a VCR Study, Synergy is of the view that AEMO should also publish a draft report and allow for submissions on the draft report prior to finalising the VCR Study and publishing the final report. This change will make the governance approach for this procedure consistent with other Market Rule processes (refer to Market Rule clauses 4.5.17, 4.11.3D, 4.16.6D and 6.20.9). As such, Synergy recommends that AEMO consider the inclusion of the following requirement between items 3.2.12 and 3.2.13 of the procedure:

3.2.12. .... and must invite stakeholder submissions.

3.2.13. AEMO must publish a draft report of the VCR Study and invite stakeholder consultation and feedback on that draft report.

~~3.2.13~~ 3.2.14. At the conclusion of the VCR Study, AEMO will publish a report which includes: .....

#### Minor Issues:

- The definition of Expected Unserved Energy should be amended to:  
 Expected Unserved Energy refers to a forecast by AEMO of the aggregate amount in MWh by which the demand for electricity exceeds the supply of electricity.
- The definition of Value of Customer Reliability (VCR) should be amended to:  
 The VCR represents the estimated by AEMO of the aggregated value that customers place on the reliable supply of electricity.
- In item 2.1.1, the acronym of DSP should not be used in place of Demand Side Program. The use of the acronym makes the item within the procedure differ to clause 4.5.14C in the Market Rules, additionally the term DSP is not defined within the market rules or within this procedure. All occurrences of DSP within this procedure should be replaced (items 2.1.1(a), 2.1.1(b), 2.1.1(d), 2.2.2(c), 2.2.2(d), 2.2.2(e), 2.2.5(e))
- In item 2.2.2, the term  $CC_t$  should be replaced with an alternate term (such as  $CCDSM_t$ ) as the term  $CC_t$  is used already used within the Market Rules with a different definition (examples are Market Rule clauses 4.26.1(f) and 4.26.3(b)ii ).
- In item 2.2.2(e) the footnote number appears to be incorrect. Synergy suggests the following amendment  
 (e) ... DSM Capacity credits assigned or expected to be assigned<sup>4.2</sup> to ....
- In Footnote 3 for item 2.2.4, there should be minor amendment by changing “meet” to “meets”. Proposed drafting is:

<sup>3</sup> ... whether the forecast Reserve Capacity Targets applicable for the Long Term PASA study horizon meet s the reliability aspect of the Planning Criterion ...

**Please provide an assessment whether the Procedure Change Proposal is consistent with the Market Objectives and the Wholesale Electricity Market Amending Rules.**

Synergy agrees that the proposed market procedure is consistent with the Wholesale Market Objectives.

Synergy notes that there is currently a discrepancy in the Market Rules in regards to the timing of when the Expected DSM Dispatch Quantity is set (refer clauses 4.5.13(h) and 4.5.14C). Synergy is of the view that the Expected DSM Dispatch Quantity should be set at the same time as the DSM Reserve Capacity Price which is set in the SOO just prior to the Capacity Year (refer 4.5.13(i)).

**Please indicate if the Procedure Change Proposal will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.**

Synergy is uncertain of the likely costs of AEMO of undertaking a VCR study or how these costs will be paid. Synergy notes however that it will be liable for a portion of these unknown costs.

In terms of the remainder of the procedure (excluding the VCR Study), Synergy is already implementing the changes based on the 31 May Government Gazette and therefore does not anticipate any further implications or costs at this time.

**Please indicate the time required for your organisation to implement the changes, should they be accepted as proposed.**

Synergy is already working on implementing the changes based on the 31 May Government Gazette and therefore does not anticipate any further implementation time is required in addition to that already advised regarding the changes listed in the 31 May gazette.