

Wholesale Electricity Market Rule Change Proposal Submission

RC_RC_2019_05: Amending the Minimum STEM Price definition and determination

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.

Sustainable Energy Now (SEN) appreciates this opportunity to provide a submission to the Rule Change Panel in response to the Rule Change Proposal: Amending the Minimum STEM Price definition and determination (Rule Change Proposal). It is the opinion of SEN that the Rule Change Proposal fails to address the central issues associated with the cause(s) of outcomes of negative clearing prices and furthermore it does not make a case as to how the proposed changes will address the unintended consequences raised.

The Rule Change Proposal presents adverse concerns surrounding 'financial losses for market generators under certain operating conditions (such as provision of ancillary services):

The Rule Change Proposal proposes to amend the Minimum STEM Price from - \$1,000 to -\$200 in the interim while an appropriate methodology is determined. Under this proposal to increase the minimum bid price, there appears to be no justification under conventional market rules since a competitor cannot bid lower.

Consequently there will be no ability to differentiate bidders which the present policy will achieve more effectively. In fact, if the minimum STEM balancing price were to be lower, there would be more effective bidding behaviour and naturally less 'crowding' by market participants around the present floor price.

Should the proposed rule change be adopted, the proponent and not the market customers will be the major beneficiary. The effect is seen as anti-competitive, protectionist and does not deliver a benefit to the market other than to a market generator participant.

We would like also to draw to the attention of the RCP that in order to encourage urgently needed energy storage (and related markets for which it is known that market rules are under drafting and as proposals in the near term), the greater the price differential (ie. between maximum and minimum STEM balancing price), the greater the attractiveness for market entrants in this important sector to enter the market. Conversely, in the event of tighter pricing bands as is proposed, the less interesting the opportunity would be for new energy storage market entrants.

SEN's mission is to encourage the development of the SWIS to transition to the highest possible amount of renewable energy and for fossil fuel generation to be reduced at the earliest opportunity. Due to renewable energy generation intermittency, it is essential that storage solutions are introduced into the system as quickly as possible. The proposed rule change would only benefit older market participants with generation types that are least suited to load conditions and ramps and would retard the growth of the necessary storage solutions to be provided as the SWIS transitions to ever higher levels of intermittent renewable generation.

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

It is the position of SEN that this proposed change will be unlikely to achieve the Wholesale Market Objectives. In regard to the proposed interim change of the Minimum STEM Price to -\$200, it is SEN's opinion that the proposal will not achieve the Wholesale Market Objectives of bidder differentiation, lower costs to market customers and encouragement of competition and new market provider entrants.

It is SEN's position that:-

- 1) The proposal will stifle competition on the SWIS as it reduces the ability for Market Participants to price differentiate bids in the Balancing Markets.
- 2) It is likely to result in an economically inefficient outcome as a higher Minimum STEM Price may prevent generators from submitting their minimum generation at a negative price representative of their de-commitment costs.
- 3) It may retard economic efficiency, and the entry of new market participants. It will discourage measures to manage consumption volumes/timing as it may soften the investment incentives for energy storage market entrants (low energy price and price variability). These market entrants are of significant

importance during this time of rapid uptake of rooftop solar PV requiring a greater need for essential system services provided by storage solutions such as batteries. The pricing signals therefore need to be maintained (or improved on) in order to provide adequate market access interest in this sector, particularly in this time of transition.

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- 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.**

N/A

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

N/A
