

6 December 2022

Energy Policy Western Australia
Sent to: energymarkets@dmirs.wa.gov.au

Good afternoon

Draft Rules for Market Power Mitigation

Thank you for the opportunity to comment on the draft rules for implementing market power mitigation in the new-WEM. Perth Energy was generally supportive of the approach adopted within the recent Discussion Paper. Consequently, we have no significant comments to make on the overall structure proposed. We do have a number of minor comments and queries.

1.XX.3 and 1.XX.4 – Should the energy offer floor and ceiling prices be reviewed at the same time to ensure consistency?

2.16A.6(d) Missing word – “or Chapter 7, *in* respect of”

2.16B.1. *The Economic Regulation Authority must, in accordance with the WEM Procedure referred to in clause 2.16D.14: (a) twice each year identify each Portfolio operating in the Wholesale Electricity Market within 20 Business Days of AEMO completing Reserve Capacity testing under section 4.25 for each of the periods specified in clauses 4.25.1(a)(i) and 4.25.1(a)(ii); and*

Is this sufficiently defined? The date may vary depending on AEMO’s testing program and how quickly market participants undertake their testing. We could consider setting the date as 1 October and 1 April.

2.16C.5. *The Economic Regulation Authority must investigate a potential breach of clause 2.16A.1, in accordance with the WEM Procedure referred to in clause 2.16D.14, clause 2.13.27, and having regard to the Offer Construction Guideline, if it considers that:*

*(a) prices offered by a Market Participant in its Portfolio Supply Curve for **each** of its Registered Facilities within a Material Portfolio are inconsistent with the prices that a Market Participant without market power would offer in a profit-maximising Portfolio Supply Curve for the same or similar Facilities; or*

*(b) prices offered by a Market Participant in its Real-Time Market Submissions for **each** of its Registered Facilities within a Material Portfolio or a Material Constrained Portfolio are inconsistent with the prices that a Market Participant without market power would offer in a profit-maximising RealTime Market Submission for the same or similar Facilities,*

and make a determination whether the prices were an Irregular Price Offer.



Use of the word “**each**” implies that the price offered by every single facility is inconsistent. This should be “**any**” facility otherwise a market participant could “comply” by making consistent offers for a single facility.

2.16.D1 – the requirements of the Offer Construction Guidelines include sub clause (a)2.i “*fuel or charging costs*”. This inclusion is sound but, on its own, implies that charging costs are the most important driver for storage facilities. The key role of these facilities is to provide electricity to support system reliability during their obligation period or at other times of potential electricity shortfall. For this reason, it would be good to include a statement on this effect to balance the statement about charging costs. We do not want to encourage the situation where a storage facility is forced to make a low offer, because it was charged during a low-price period, and is subsequently unavailable during a high system stress period.

2.16E.1. If the Economic Regulation Authority has determined under clause 2.16C.6 that an Irregular Price Offer by the Market Participant has not resulted in an inefficient market outcome, is there benefit in requiring the ERA to advise the market participant? This may help prevent the participant from making an irregular price offer in the future that does result in an inefficient market outcome.

Should you have any questions in relation to this submission please contact me on 0437 209 972 or at p.peake@perthenergy.com.au.

Kind regards,

Patrick Peake

Patrick Peake
Senior Manager, WA EMR