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Submission to Public Utilities Office – Improving access to the Western Power Network

Introduction

Tersum Energy is pleased to provide this submission on the Public Utilities Office (PUO) papers on improving access to the Western Power Network. As a sustainable energy company, we believe facilitating more efficient connection of renewable generation, virtual power plants, and other innovative technologies is fundamental to securing WA's energy future. Implementing a constrained network access regime is an important step and we commend the PUO for driving this reform.

A constrained network access regime should improve network utilisation and should, in theory, be a step towards more efficient investment. However, constrained access is not the sole solution. Providing network access for new generation is one part of the solution, providing appropriate incentives to promote the right kind of generators to connect in the right part of the network is quite another.

Under the PUO's proposal there seems to be little incentive for generators to connect in constrained parts of the network, particularly non-renewable generation. While constrained network access may facilitate greater connection of renewables in locations such as Geraldton and Kalgoorlie, there remains a need for dispatchable generation in these areas, particularly in the context of the forthcoming Synergy plant retirements. Under the current proposal it is unlikely that the new non-renewable (or at least dispatchable) generation required to maintain network security will be forthcoming.

Locational pricing

We consider introduction of some sort of locational pricing signals are necessary to encourage the right mix of generation to connect in the areas where it can add most value to customers and drive energy costs down. In particular, a change in pricing arrangements to facilitate local generation and electricity use at lower, cost reflective prices would provide the necessary impetus to facilitate genuine evolution in the WA electricity market.

Matching services to regional network requirements

To establish meaningful and long-lasting change, a good starting point would be to undertake a more holistic and strategic view of network requirements in each region of the network. Greater understanding of where the constraints are, what types of capacity and energy are required in each region, as well as the associated ancillary services need in each region, would enable the appropriate incentives and price signals to be developed. For example, a study that clearly showed what load following, inertia and black start services are required in Geraldton would increase the likelihood generators would invest in facilities that match these requirements. Similarly, Western Power would have a stronger case for building out some network constraints where the whole of market benefits outweighs the cost.

Basing energy sector reforms on a detailed and transparent study of what energy users actually need in their region is the surest way to ensure future investment (whether in generation or network services) is market-led, efficient, and in the long-term interest of customers.

It is worth noting that because renewable generators do not necessarily need capacity credits to be commercially viable, they will simply want to connect wherever the generation source is greatest; wind farms will connect in coastal areas around Geraldton and Albany, solar farms will connect in the Goldfields. This means that some of the network constraints preventing this type of generation from supplying customers will need to be built out regardless of what pricing signals and market mechanisms are developed for those regions.

Resolving compensation issues when moving to constrained access

The PUO's issues papers on the implementation of a constrained network access places considerable focus on compensating those generators that currently have 'firm access rights.' The current proposal looks at providing transitional support and compensation for losses as part of the implementation process, as well as providing statutory immunity for Western Power.

While these issues must be considered, we recommend it would be better to settle them before implementing a constrained network access regime. The proposed transitional arrangements will prevent the full benefits of constrained network access for a further 10 years as the incumbent generators are provided 'grandfathered' levels of access. Moreover, the transitional arrangements appear to require significant compromises in capacity mechanism and energy market design.

It would surely be more effective to negotiate directly with those parties that currently have firm access rights and compensate losses with them before attempting to change the access regime. This would negate the need to build in complex compensation and immunity mechanisms into the new market arrangements.

Put simply, we recommend it is wiser to get the inevitable litigation out of the way first and then implement change, rather than conflate the two issues later.

Understanding future reforms

We understand that implementing a constrained network access regime is one of several market reforms expected over the coming years. We welcome the opportunity to participate in the consultation process and look forward to contributing to the design of future market arrangements. However, the path forward is not clear.

Presumably, the PUO and Government has a vision for the WA energy market and will drive change over the coming years through a series of related WEM amendments. It would be helpful if we could understand what that vision is. That way, we may be able to suggest alternative and more innovative ways of achieving the same outcome and can make a proactive contribution to change rather than only having opportunity to react to decisions that have already been made.

We trust you find the points made in this submission useful, and we look forward to further discussion on the future of our energy sector.

Yours sincerely

Rod Littlejohn

Managing Director, Tersum Energy

About Tersum

Tersum Energy is a sustainable energy company. Our vision is to deploy innovative proven technologies, working with communities to generate economic development and deliver secure clean energy.

We are committed to delivering specifically tailored solutions to our clients in the power generation industries to make the switch to cleaner fossil fuels, such as natural gas, through an array of sustainable solutions including energy from waste, solar or wind.