

Submission by email: electricitymarketreview@finance.wa.gov.au

RESPONSE TO DESIGN RECOMMENDATIONS FOR WHOLESALE ENERGY AND ANCILLARY SERVICE MARKET REFORMS

About the WA IPA

The WA Independent Power Association represents independent power companies, each of whom supplies electricity or related services to the WA market. Members are: APA Group, Collgar Wind Farm, EnerNOC, ERM Power, Infigen Energy, Infinite Energy and Kleenheat.

The purpose of the WAIPA is to provide a united voice and represent the interests of independent power generators, retailers and other power service providers operating in Western Australia. The WA IPA advocates for the continuation and further development of an open and competitive electricity market in Western Australia.

General Comments

The WA Independent Power Association welcomes the opportunity to respond to the Position Paper – Design Recommendations for Wholesale Energy and Ancillary Service Market Reforms.

The WAIPA supports an open and competitive electricity market as the best way to achieve good outcomes for consumers and efficient investment in electricity infrastructure. The proposed reforms to the wholesale energy and ancillary services market certainly head in the right direction to produce a more competitive and responsive market and are generally welcomed by members of the WA IPA.

In broad terms, the WA IPA supports the following proposals:

- Facility bidding by all market participants.
- Co-optimisation of energy and ancillary services.
- 30 minute gate closure and a 5 minute dispatch cycle.
- Ex-ante pricing.
- A single nodal reference price.
- Retention of STEM until a derivatives market is established.
- Adoption of NEMDE as the dispatch tool in the WEM.
- Retention of constrained on payments with the proposed modified calculation methodology.

Facility bidding for all market participants has been advocated by the WA IPA since its inception in 2012. The immediate benefit would be an understanding of the true cost of supply from individual facilities, leading to only the lowest cost facilities being bid. At the moment all private participants are required to bid individual units but Synergy is allowed to bid on a portfolio basis. This distorts the market and leads to inefficient outcomes. A longer term benefit of facility bidding by Synergy would be to identify inefficient and unprofitable plant for retirement or sale.

Individual members of the WA IPA who are more involved in these markets are likely to have detailed comments on specific aspects of the reforms, including those listed above and they should be consulted before finalising the detail of the changes to these markets.