

RC_2012_10: Limits to Early Entry Capacity Payments

Submitted by

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Submission

1. Please provide your views on the proposal, including any objections or suggested revisions

Community Electricity supports the Rule Change Proposal on the grounds that:

- a) DSM capacity is different from Generation capacity;
- b) Generators are capital-intensive and developers need to service the debt immediately the station is commissioned;
- c) The argument as to whether the proposed Rule Change is discriminatory, or alternatively that it removes an existing discrimination, is subjective and neither supports nor conflicts with the proposal. This uncertainty is aggravated by the absence in the Market Rules of a definition of discrimination, together with a culture within the rules of reasonable 'differentiation' on various issues. [Other examples include Intermittent Generation, which the rules recognise as not being capable of being dispatched, and the Peak Intervals that apply in the capacity mechanism - DSM (32 Peak Intervals), IG (LSG Peak Intervals) and consumer liability (12 Peak Intervals).]
- d) The construction of Generation capacity is more complex and uncertain than is DSM, with greater scope for delay due to unavoidable contingency events.
- e) New Generation capacity is more complex to commission than is DSM and has a potentially much more disruptive impact on the power system during commissioning. In particular, large units necessitate scheduling a greater quantity of load following and spinning reserve ancillary services.
- f) Even after a new Generator has been commissioned, System Management will generally 'distrust' its reliability and err on the side of scheduling additional ancillary services until it has proved itself. System security is enhanced and cost is reduced when this proving period

occurs during off peak times. Furthermore, extending the commissioning window allows System Management more scope to deny a commissioning request when system conditions are not ideal.

- g) The benefits to the market of early entry of DSM are insignificant compared to the costs in the prevailing condition of excess capacity and 'pre-harmonised' DSM obligations.

We would also further comment on the issue of discrimination. We note that DSM is currently subject to less onerous availability and dispatch requirements than Scheduled Generation, and in principle we support such differentiation on the grounds that DSM has a distinctive value-adding role to play in the market. In particular, while it is not available on an anytime basis, it can significantly improve system security and reliability during adverse system and network conditions. We also support the proposition that the current set of DSM obligations need to be adjusted via the 'Harmonising' aspects of the Reserve Capacity Mechanism Review. We perceive (without objection) 'Harmonising' as being a euphemism for 'fit-for-purpose-discrimination' (as distinct from the avoidance of discrimination) that recognises that cost-effective value can be added to the market only by reasonably accommodating a technology's idiosyncrasies. We perceive that the issue of early entry of capacity could, in principle, reasonably have been added to the issues considered under the Harmonising Work Package, and had it been included, 'avoidance of discrimination' would not have been raised as an objection to the substance of the Rule Change now under consideration. On that basis, we perceive that the spirit of the 'avoidance of discrimination' provision of the Market Objectives is better stated as seeking to achieve a reasonable harmony amongst the various technologies having regard to cost, value-added and operational idiosyncrasies.

In response to the IMO's request for comment on the removal of all early entry requirements, we suggest that new capacity (from whatever source) that is capital-intensive, complex to construct, complex to commission, and which is capable of compromising system security should be provided with flexible entry requirements. We perceive that the experiences of the developers of Bluewaters, the Kwinana HEGTs and the Muja refurbishment would be important in this consideration.

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

Community considers that the Rule Change improves achievement of Market Objective (d) (to minimise the long-term cost of electricity) and is consistent with the other objectives (even being 'harmonious'☺ with object (c) (non discrimination between technologies)).

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

Not applicable

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

Not applicable
