



INDEPENDENT
MARKET
OPERATOR

Wholesale Electricity Market Submission to Rule Change Proposal

RC_2013_909 Incentives to Improve Availability of Scheduled Generators

Submitted by

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Submission

Submissions for Rule Changes should be submitted to:

Independent Market Operator
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Attn:
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1. **Please provide your views on the proposal, including any objections or suggested revisions.**
 - a) Bluewaters Power supports the intent of the rule change to provide the IMO with more flexibility with regards allocation of capacity credits to units with very high outage rates (over a 36 month period). Bluewaters believes the existing rules require revision as they impose an all-or-nothing action in this regard.
 - b) Bluewaters Power supports the concept that a plant may have a limit on the number of planned outage (where RCOQ is reduced) before consideration of some penalty or reduction in capacity credits must be considered.



- c) Bluewaters Power considers it reasonable that the IMO have the right to request (but not require) performance reports from a Market Participant, concerning any generator **or Demand Side capacity**, with excessive planned outage to the extent that the report may be used when considering whether to impose, and if so, to what level, any form of reduction of capacity to that facility. Failure by the participant to provide a requested report should not result in any penalty, other than the lost opportunity to provide additional information to the IMO ahead of its decision, and should not otherwise prejudice the IMOs process or decision. In other words, the report should be considered an opportunity for the capacity holder to outline/argue a case for no penalties or capacity reductions to be imposed.

Bluewaters considers the actual or potential loss of income and certification, as a result of this proposed rule change, and other normal market motivators should be sufficient incentive for a plant to want or need to improve its availability and performance.

Bluewaters believes that if requested to provide a report by the IMO the market participant should be able to evaluate the benefits of that provision based on likely commercial outcomes and not otherwise be obliged or compelled to provide such a report.

- d) With regards the upper limit of Trading Intervals a unit may have outages which reduce its ROQ:
 - a. Bluewaters supports the concept of rolling periods for outage review
 - b. Bluewaters believes that where a facility is granted an outage by System Management that would otherwise reduce its RCOQ, the facility/participant should not pay a refund greater than 1x.

That is, the facility should not receive any net revenue from the IMO, nor should it pay any greater penalty as System Management has seen fit to grant a non-forced outage because the application otherwise meets the outage criteria which includes availability at time of application and a requirement to have adequate capacity on the SWIS for approval.

- e) Bluewaters would like to see a review period of **3 years** as opposed to 5 years (for MRs 4.11.1E and 4.12.10) set for a review of both the “progressive tightening” of combined planned and forced outage rates and also of the proposed initial cap (whether it is the IMO’s currently proposed 14.8% or another amount set).

Bluewaters believes 5 years is too long to be locked into a new regime which may quickly prove too punitive or too lenient.

4.11.1D would therefore be as follows, pending the outcome of that review:

Capacity Year	Forced Outage Rate greater than	Combined Planned Outage Rate and Forced Outage rate greater than
Prior to 2016/17	15%	30%
2016/17	14%	28%
2017/18	13%	26%
2018/19 Review	12%	24%
2019/20	12%	24%
2020/21	12%	24%

- f) Bluewaters would like to see an allowable RCOQ-adjusting outages level of 8,830 trading intervals to 9,200 trading intervals (16.8% - 17.5%).
- g) While Bluewaters supports the concepts proposed, and the majority of the rule changes proposed, we would like to see a slightly higher allowable planned outage rate and accordingly question the schedule of combined allowable rates in proposed MR 4.11.1D. If the allowable planned outage rate is higher than 14.8% consideration should be given to the combined rates proposed.
- h) *Any reports requested by the IMO must be in a pro forma format for clarity, scope control, consistency and transparency.*

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

While Bluewaters would like to see some changes to the details of the proposed rule change we are supportive of the concept and the majority of the detail and believe the rule changes will better facilitate the achievement of the Market Objectives as outlined by the IMO in the rule change proposal.

The major concern for Bluewaters is now the potential impact of one-off incidents or failures, rather than systematic issues, which may now impose addition penalty on otherwise healthy units.

We note that the rules (eg MR 4.11.1B, 4.27.3B) do in essence grant the IMO the flexibility it needs to take into account such events and to rule accordingly.

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.

Impact on Bluewaters:

- A '3 year, 14.8%' limit may potentially, in an exceptional period, place additional financial cost during a phase already likely to be imposing significant cost on the enterprise.

By way of example: were a major, reasonably unforeseeable issue to emerge or occur either during, or directly after a major outage (eg. 45-50 day C-Class), and require a significant follow-up outage – this one-off occurrence (which already has direct financial consequences) may now have larger ramifications if that facility's capacity is reduced.

While respecting the right (in fact, responsibility) of the IMO to reduce a facility's capacity credits for poor performance, a financed project could in fact be put into financial default if its revenues were marked down. For this reason, we would like to see this option available to the IMO at a higher rate than 14.8%

Our modeling shows exceedance of a range of 8,830 trading intervals to 9,200 trading intervals (16.8% - 17.5%) would be indicative of systematic rather than "one-off", issues at play.

Bluewaters would therefore like to see the allowable outage rate fall into this range.

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

No time is required by Bluewaters to implement the proposed rule change.
