
RC_2013_09: Incentives to Improve Availability of Scheduled Generators

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.

We consider that the existing Market Rules demonstrate a broad intent that Scheduled Generators should be properly available and that otherwise they would incur 'penalties'. We also consider that at the time of the development of the 'trigger' and 'magnitude' of the penalties, these aspects of the Market Rules were considered to be very unlikely to be utilised and weren't as well developed as experience now shows they need to be.

We note that:

- i) the ERA has:
 - a) expressed concern that high levels of unavailability conflict with the Market Objectives and has cited evidence that it is causing dysfunction (elevated prices) in the energy markets; and
 - b) has expressed concern that the Reserve Capacity Mechanism may inappropriately blunt the market 'retirement signals' that would be received by a high maintenance/low availability Scheduled Generator in an energy-only market.
- ii) for a commercial generator, three or more successive years with annual Planned Outages in excess of 15 weeks is a significant variation from accepted industry practice and is indicative of the worst-performing decile of thermal generating plant performance by comparison with international benchmarks;
- iii) three generators operated by one Market Participant have systematically exceeded a total outage rate of 30% for the most recent 5 years;
- iv) a further two generators operated by the same Market Participant have exceeded that level for the most recent 3 years;
- v) two of the five generators were unavailable for more than 42% of the previous 3 years.

- vi) the Energy Supply Association of Australia (ESAA) has published that the availability factor of the Western Australian generation sector over the ten years prior to 2006 was stable in the range 85%-90%, and that availability performance has deteriorated in the last five years to such an extent that Western Australia now exhibits the worst overall generation availability factor (<80%) and highest Planned Outage factor (20%) in Australia;
- vii) the deterioration noted by the ESAA has taken place despite the entry of new generators with availability of well over 85% and Planned Outage factors under 10%.
- viii) The IMO's proposed initial 'planned outage cap' of 23.2 weeks over a rolling three years has been exceeded by only nine of the existing Scheduled Generators over the last three years and is substantially higher than the historical rates for most Scheduled Generators.

The Market Rules already empower the IMO to, in limited circumstances:

- a) deny certification to a sufficiently unreliable generator;
- b) require an unreliable generator to make performance reports on its maintenance programme;
- c) limit an unreliable generator's access to penalty-free planned outages.

We perceive the proposed Rule Changes to hone these powers to improve the fitness-for-purpose of the restrictions and to incentivise behaviour in line with the Market Objectives. As such we consider that they are reasonable, measured and progressively staged in a manner that avoids commercial shock.

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

Community considers that the Rule Changes are in harmony with all the Market Objectives. We support the IMO's contention that they improve achievement of objectives:

- a) [efficiency and reliability] – motivates participation in the energy markets and retirement of unreliable plant;
- b) [competition] – motivates retirement of unreliable plant and signals opportunities for new entry;
- d) [minimising cost] – encourages participation in the energy market and reduces the cost of capacity

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

The proposal has no implications for Community.

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

Not applicable