

Dora Guzeleva  
Manager Market Administration  
Independent Market Operator  
Level 22 The Forrest Centre  
221 St Georges Tce  
Perth WA 6000



Alinta Sales Pty Ltd  
ABN 92 089 531 984

Alinta Plaza  
12 - 14 The Esplanade  
Perth WA 6000

PO Box 8348  
Perth BC WA 6849

Telephone +61 8 6213 7000  
Facsimile +61 8 6213 7001

[www.alinta.net.au](http://www.alinta.net.au)

By email: [imo@imowa.com.au](mailto:imo@imowa.com.au)

11 June 2007

Dear Dora

## **WEM Rule Change Proposal RC 2007 05 - Reserve Capacity Refund Shortfall Formula**

Thank you for the opportunity to provide comments on Rule Change Proposal RC 2007 05 "Reserve Capacity Refund Shortfall Formula". This letter sets out the view of Alinta Sales Pty Ltd (Alinta).

### **The proposed change**

On the 11<sup>th</sup> of May 2007 the Independent Market Operator (IMO) submitted RC 2007 05. The IMO proposed that RC 2007 05 be treated as a fast track change proposal.

The current version of the market rules are written in such a way that in certain circumstances, market participants who have intermittent generators and demand within their portfolio, may be assessed unfavourably with regard to calculation of their capacity credit refunds. This scenario may arise when a STEM submission is not available from the market participant. Market participants are not obliged to make STEM submissions for intermittent generators.

The IMO has proposed to change the formula for calculating the reserve capacity shortfall by adding back the participant's own demand to account for circumstances where a participant does not have a valid STEM submission in any trading interval.

### **Alinta's view**

Alinta agrees with the proposed change to the Market Rules and considers the change proposal would better facilitate achievement of objectives (a), (b), (c) and (d) of the Market Rules<sup>1</sup>.

Alinta considers the change proposal has the following impact on the objectives of the market:

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<sup>1</sup> The objectives of the Market Rules are contained in Market Rule 1.2.1 and are:

- (a) "to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West Interconnected System"
- (b) "to encourage competition among generators and retailers in the South West Interconnected System, including by facilitating efficient entry of new competitors"
- (c) "to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions"
- (d) "to minimise the long-term cost of electricity supplied to customers from the South West interconnected system"
- (e) "to encourage the taking of measures to manage the amount of electricity used and when it is used"

Objective	Identified impact
(a)	Alinta agrees with the IMO's assessment that achievement of objective (a) will be better facilitated if the change proposal were implemented as it would more accurately calculate the refunds due to market participants and therefore enhance cost reflectivity within the SWIS. In the longer term improved cost reflectivity in the calculation of capacity credit refunds will promote entry of efficient and reliable generators on the system.
(b)	Alinta agrees with the IMO's assessment that achievement of objective (b) will be better facilitated if the change proposal were implemented as it would more accurately reflect the cost/refund due to market participants with intermittent generation in their portfolio. Accurate cost reflection is important to ensure a level playing field between competitors to ensure efficient competition. Finally, the rule change proposal will better facilitate new entry of intermittent generators by more accurately reflecting the value of capacity credit refunds to portfolios consisting of intermittent generation and demand.
(c)	Alinta agrees with the IMO's assessment that achievement of objective (c) will be better facilitated if the change proposal were implemented as it will remove a current potential discriminatory treatment of portfolios with intermittent generation.
(d)	Alinta agrees with the IMO's assessment that achievement of objective (d) will be better facilitated if the change proposal were implemented as the effect of the improved facilitation of objectives (a) and (b) would be expected to lead to long term efficiency gains in the production of electricity thereby minimising the long term cost of electricity supplied to customers.
(e)	Alinta considers that the proposal will not impact on the achievement of objective (e).

Alinta agrees with the proposal to fast track this rule change.

Please call me on 08 6213 7304 to discuss any of the issues raised in this letter in more detail.

Yours sincerely



**Kristian Myhre**  
**Manager Market Analytics**  
**Alinta Sales Pty Ltd**