Wholesale Electricity Market – Rule Change Proposal Submission Form

<RC_2007_11> <IRCR FOR NEW METERS – CUSTOMER PEAK LOAD DIVERSITY>

Submitted by

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Submission

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

Background

Currently, when a customer without interval meter readings in the previous hot season transfers to a new retailer, its Temperature Dependent Load for Individual Reserve Capacity Requirements (IRCR) determination is assumed to be its Contract Maximum Demand (CMD) or 1.1 times the MW figure formed by doubling the maximum Trading Interval demand by that customer (Appendix 5, step 5).

Alinta has submitted that this approach significantly overstates the new retailer's IRCR as it does not take into account the diversity between peak loads on the SWIS. Individual customers' demand generally peaks in different intervals and the current methodology does not take that into account. For example, customers peaking at different times of the day, on weekends, or even in the evenings, are effectively all assumed to occur at the same time when determining the new retailer's IRCR. Alinta has estimated that the current treatment of loads without prior meter history leads to an increase in the IRCR requirement of about 60% compared to the methodology that applies to loads with meter history covering the relevant 12 intervals of the previous hot season.

Alinta has proposed a rule change such that each new meter without hot season interval readings is assigned an amount equal to its actual demand in the interval that the SWIS peaks in each month.

Synergy Position

Synergy acknowledges that in some instances the current approach is likely to result in relatively high capacity charges to new meters/Greenfield sites and that it fails to recognize peak consumption diversity in loads – ie the fact that some loads might have negligible or small energy consumption during times of system peak, and some might have a higher contribution to system peak. While Synergy supports the opinion that IRCRs are likely to be overstated in some loads, in Synergy's experience this is unlikely to be as extensive as reflected within this Rule Change Proposal. As such, Synergy questions the claim that the current rules overstate IRCRs by 60% (relative to the IRCRs calculated under the proposed approach).

This being said, Synergy supports the intent behind this rule change proposal as seeking to find a more equitable approach that aligns the capacity charges to loads with their contribution to the system peak, rather than simply their peak demand or CMD during a month. Synergy wishes to reiterate the importance of ensuring that competitive neutrality is maintained between those electricity customers who are currently contestable and interval metered and have this data to rely on when contracting for electricity, and those contestable customers who are not currently interval metered, but who are likely to seek to contestably contract for electricity at some future date. Synergy therefore sees a clear mandate here to develop a methodology that assesses the IRCRs for new meters on the basis of similar loads to those used for existing meters, all else being equal. In other words, in the absence of growth, the average load used in the n-3 method over the period that it applies should be similar to the Hot Season median that would be used for existing meters.

There are a range of alternative techniques which may be pursued to achieve this outcome. Having acknowledged these concerns, Synergy has undertaken its own modelling and, based on these conclusions, we find evidence that the current n-3 method penalises new loads and that Alinta's proposed alternative, using the median load in the monthly peak intervals, rather than the individual monthly peaks, is more consistent with the Hot Season. Synergy's in-house modelling also indicates that by raising the uplift to 25% (as opposed to the current 10%) it is possible to obtain an even closer alignment between the Hot Season and n-3 outcomes.

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

The objectives of the WEM are clearly enunciated as:

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; and

e. to encourage the taking of measures to manage the amount of electricity used and when it is used.

Synergy sees the intent behind this proposal as being consistent with the WEM objectives, by facilitating a. (above) – to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system.

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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

Synergy does not anticipate that this change will require any modifications to existing Synergy systems and processes.

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

Nil

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