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## Wholesale Electricity Market Rule Change Proposal Submission Form

<RC\_2008\_28> <Eligible Services for Supplementary Reserve Capacity>

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### Submitted by

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<b>Date submitted:</b>	27 Oct 2008

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### Submission

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

On 11 September 2008 the Independent Market Operator (IMO) submitted a Rule Change Proposal regarding changes to clauses 4.24.3 and 4.24.15 of the Wholesale Electricity Market Rules (Market Rules).

This rule change was first contemplated within the Supplementary Reserve Capacity (SRC) Working Group, of whom Synergy was the Chair. Synergy submits that the resultant rule change, having been duly considered by all representatives at the Working Group, was unanimously supported as an appropriate means of ensuring reliability through the Reserve Capacity Mechanism whilst maintaining economic efficiency. We note that the exact wording of this rule change was subject to considerable deliberations within the Working Group to ensure that the risks of Market Participants taking advantage of the SRC process, extracting supernormal profits through subverting the standard Reserve Capacity Cycle, were mitigated.

Most specifically, under this rule change proposal, Registered Facilities which the IMO proposes to now permit to enter the SRC process include those facilities with spare capacity (ie capacity that does not hold Capacity Credits) in the current Reserve Capacity cycle but which hold capacity credits for future cycles. Synergy supports the IMO's view that the condition of holding capacity credits for future cycles is very necessary in order to prevent Registered Facilities with capacity credits in previous Reserve Capacity cycles from withholding them from the normal capacity credit processes so as to activate the SRC process and benefit from much higher prices.

Synergy wishes to take this opportunity to once again stress that the use of the SRC process has the potential to place a substantial financial burden on Market Customers (retailers) and in turn, on their end-use customers. The original market design contemplated SRC as being a very rare event. Synergy therefore strongly supports Clause 4.26.15, which necessitates a review each year, following any call for SRC, which assesses the appropriateness of the SRC mechanism and seeks to make improvements for any future application of SRC.

As a reflection of the imminent commencement of the Summer period, and the very tight demand/supply balance for capacity, Synergy sees this rule change as being urgent. While it is important that all Market Participants are given reasonable opportunity to input into the rule change process, it is critical that this rule change be expedited as quickly as possible.

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

Synergy accepts the IMO's view that the proposed rule change supports the operation of the Market Objectives. Specifically, Synergy views that the proposal supports market objective (a) by promoting the economically efficient supply of electricity in the South West Interconnected System. The broadening of the pool of eligible services for SRC, will assist in providing the least cost outcome from the SRC processes.

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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 in implementing these changes.**

Synergy does not identify any substantial cost implications in implementing this rule change.

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

Synergy does not anticipate that this rule change proposal will take a protracted period of time to implement.

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