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## Wholesale Electricity Market Rule Change Proposal Submission Form

### RC\_2008\_34: Funding of SRC in the event of Capacity Credit cancellation

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#### Submitted by

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#### Submission

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

ATCO Power attended the public workshop held on 28 April 2009 to discuss the Draft Rule Change Report for RC\_2008\_34.

ATCO Power does not support the proposed rule change as originally drafted.

ATCO supports the MMA recommendation that:

- Rule Change RC\_2008\_34 should not proceed pending a broader review of the framework for SRC provision and the management of extreme capacity shortages on an economic basis, and agrees this would assist in limiting the exposure to SRC costs and provide a more robust framework for risk assessment by market participants; and,
- At the very least the Clauses 4.28.4(aA) (iii) and 4.28.4B that pertain to extended Forced Outages be removed pending a review of the allocation of SRC costs to generators at a level which would be acceptable and insurable.

Further, ATCO Power agrees that the issue be referred back to an Industry Working Group to consider the issues more broadly with a focus on:

- The expected incidence of calling for SRC and level of performance that the Reserve Capacity Mechanism is intended to deliver. *If it is a 1 in 10 year event does the market want to pay for a higher electricity price just in case this event happens? ;*
- The level of reserve margin for which SRC should be requested. *What is the amount of SRC required to ensure prudent system operation? ;*
- The defining events that determine the distribution of SRC costs. *What would constitute an extended forced outage? There are some events beyond generators control which cannot be insured and that need to be further considered before shifting all the SRC costs to the generators;*
- There are sufficient incentives in the Market Rules for generators to manage their plant availability. *The question is how should Market Generators and Market Customers share the SRC costs? ATCO Power supports developing a process to discuss the best way of sharing the shortfall costs as raised by Synergy during the workshop; and,*
- The Capacity Cost Refunds should first fund the SRC before imposing any specific SRC costs on generators. *Since the WEM is a bilateral market the generators already bear most of the cost of capacity shortfalls when they have to pay a higher STEM prices to honour their bilateral contracts.*

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

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;

ATCO Powers holds the view that sufficient incentives already exist for participants to apply for realistic capacity credit levels and commissioning schedules and that the proposal is unlikely to improve system reliability.

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

ATCO Power holds the view the proposal may reduce the incentive for market customers to manage demand if SRC is procured solely as a result of a capacity credit reduction or an extended forced outage.

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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.**

As ATCO Power is not yet a registered participant in the IMO it is difficult to assess the implications for our organisation should the drafted rule change be implemented but it is considered the changes and costs would be small.

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

ATCO Power is not yet a registered IMO participant in the IMO, we expect sufficient time will be available to implement the change.

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