
Wholesale Electricity Market – Rule Change Proposal Submission Form

RC_2008_34: Rule Change Notice: Funding of SRC in the event of capacity credit cancellation

Submitted by

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Submission

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

In the first round of submissions and previous discussion at the MAC, LGP supported the proposed Rule Change on the grounds that it more equitably allocates the costs of SRC to causers and thereby provides financial signals to motivate compliance with the intent of the Capacity Credit obligation. We note that this Rule Change was also a secondary outcome of the SRC Working Group, which also oversaw implementation of a major change to the funding of SRC. We consider that the IMO's subsequent adoption of recommendations from its consultant enhanced the proposal; in particular, the definition of Extended Forced Outages and equitable treatment in respect of DSM loads.

However, having participated in the public forum recently held by the IMO, and having heard submissions from generators opposing the Rule Change, we now wish to withdraw our support on the grounds that this specific issue is a secondary manifestation of a broader dysfunction in the capacity mechanism. While LGP still stands by the original reasoning, we perceive there is

little merit in remedying this issue at the expense of aggrieving many market participants and while leaving many other important issues unaddressed.

In particular, we note the verbal submission that the Rule Change permitting generators to cancel capacity credits was intended to give flexibility to generators with “behind the fence” loads of unpredictable magnitude. We now reflect that it would perhaps have been more constructive to permit such generators to offer capacity at short notice rather than to withdraw it at short notice. We are also moved by the proposition that generators that suffer forced outages compensate the market via the refund mechanism and should incur the further impost of contributing to SRC costs.

On this basis, LGP advocates a broader review of the capacity mechanism, which would ideally include matters raised at the public forum such as use of the capacity refunds to fund SRC, capacity swapping/replacement, short term certification. We would also advocate processes for expediting the allocation of capacity credits outside the capacity cycle for small and renewable generators.