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## Wholesale Electricity Market Rule Change Proposal Submission Form

### RC\_2008\_34 Funding of SRC in event of capacity credit cancellation

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#### Submitted by

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<b>Date submitted:</b>	30 April 2009

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#### Submission

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

Synergy strongly believes this issue of funding SRC needs to be addressed and resolved well before the next Hot Season to provide better market cost and risk certainty.

Synergy has two concerns regarding the current situation.

One concern is that there is no mechanism within the market rules that addresses the uncapped cost to market customers resulting from the application of SRC. Synergy notes in the period of the WEM, SCR has only been undertaken once by the IMO and given a combination of mild weather conditions and reasonable plant availability was not required to be called into use, therefore did not increase the cost of capacity. Synergy notes that SRC is likely to be infrequent and small in scale and unlikely to result in extreme costs, though the situation remains that the IMO could call on SRC resulting from existing or new plant failure just before a Hot Season that had extreme weather and low plant availability resulting in multiple usage and heightened SRC cost. In this situation the application of SRC during a given Hot Season would directly deliver a considerable unbudgeted cost to either the Market Customer or their customers.

Synergy's second concern is the opposite of the first. The concern is that by applying an SRC liability directly to a Market Generator on the basis of causer pays thereby protecting the Market Customer, unavoidably creates an additional fixed cost that the Market Generator would pass onto the market, even if that cost is unlikely to materialise. If this liability applied against the causer were to be uncapped, the resulting fixed cost to the market could be unreasonably high.

For Synergy the better approach should resolve both concerns by minimising the resulting costs to end users and applying most of the risk were on those that are best able to manage it.

Synergy therefore proposes that the causer pays should apply but this be tempered by capping that exposure on the causing Market Generator to no more than the annual capacity cost. Beyond that capped amount the SRC costs would be passed on to Market Customers.

Clearly this approach is a compromise, partly resolving Synergy's concerns by avoiding Market Customer exposure to SRC and limiting Market Generator costs to insurable level, but still inflicts a market cost that may be inefficient. Therefore, Synergy also considers this issue not yet resolved requiring, as recommended in the MMA report, further assessment and review. Synergy also considers other approaches, some commented in the MMA report deserve further consideration.

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

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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.**

No cost.

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

Zero time.