
Wholesale Electricity Market Rule Change Proposal Submission Form

**RC_2009_07 Under Construction for the Reserve Capacity
Mechanism**

Submitted by

Name:	Corey Dykstra
Phone:	9486 3749
Fax:	9221 9128
Email:	corey.dykstra@alinta.net.au
Organisation:	Alinta Sales Pty Ltd
Address:	12-14 The Esplanade PERTH WA 6000
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Submission

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

Background

Appendix 3 of the Market Rules outlines the methodology that is to be applied by the IMO where two or more Reserve Capacity Offers are tied with respect to the selection criteria in the Market Rules, and where accepting all offers would result in total capacity exceeding that required by an Availability Class. Specifically, Reserve Capacity Offers from operating facilities and facilities 'under construction' are to be accepted ahead of facilities that are yet to commence 'construction'.

It has been suggested that the use of the term 'under construction' in the Market Rules implies that the Facility must be in the process of being *physically* constructed. Such a requirement likely discriminates against Facilities with short lead times that may not need to be physically under construction two years in advance of the start of the relevant Capacity Year in order to be available in that Capacity Year. A similar issue could arise in respect of a capacity expansion that also has a short lead time.

Rule Change Proposal

RC_2009_07 would replace the term 'under construction' with 'committed'.

The IMO's Rule Change Proposal proposes that the definition of 'committed' be largely based on the current definition of 'under construction', with some minor changes (which are underlined below).

Factors which will be taken into consideration when assessing whether a project is 'Committed' include:

- *Financial commitment by the Rule Participant to the primary equipment supplier. (This would usually take the form of a signed contract indicating purchase of the main plant equipment including penalty clauses associated with non-compliance of the purchase agreement).*
- *Formal commitment, including financial approval, on behalf of the company in respect of the project, for example Board approval;*
- *Details of planning, construction and environmental applications, approvals and licences;*
- *Access to land either through ownership or an appropriate leasing agreement;*
- *A signed contract for civil works (or appropriate alternative), including contractual delivery times, which indicate the construction phase has started; and*
- *Where a facility is being built primarily to supply energy to one or more foundation customers, evidence that relevant power supply contracts are in place.*

Alinta's views

Alinta supports RC_2009_07.

In addition to the amendments proposed by RC_2009_07, it is noted that Market Rule 4.2.7(b)(ii) retains a reference to Facilities that are yet to commence being 'constructed' and it may be appropriate that this rule be amended as follows:

- ii. capacity associated with Facilities that are not committed yet to commence being constructed, where this capacity is to be further categorised between new Facilities for which:

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

Market Rule 2.4.2 states that the IMO must not make Amending Rules unless it is satisfied that the Market Rules, as proposed to be amended or replaced, are consistent with the Wholesale Market Objectives. The Wholesale Market Objectives are as follows.

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

RC_2009_07 will remove the implicit discrimination against Facilities and capacity expansions with short lead times (i.e. not needing to be physically under construction two years in advance of the start of the relevant Capacity Year) in the Market Rules.

As a result, Alinta considers that RC_2009_07 is likely to be consistent with Market Objectives (a), (b), (c) and (d), and is not likely to be inconsistent with Market Objective (e).

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.

Alinta does not consider that the changes to the Market Rules contemplated by RC_2009_07 would require it to change its IT or business systems, and hence has not identified any IT or business costs that may be associated with the rule change proposal.

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

Alinta does not consider that the changes to the Market Rules contemplated by RC_2009_07 would require it to change its IT or business systems, and hence has not identified that any specific period of time would be required to implement the changes arising from the rule change proposal.
