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Mr Allan Dawson
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Dear Allan

Changes to Market Rules

Thank you for the opportunity provided to Perth Energy to comment on several proposed changes to the Market Rules. I am pleased to provide the following comments and am happy for you to make these comments public within the rule change processes.

RC 2008 31 – Capacity Credits for Solar Facilities

This change would allow developers to nominate that the IMO assess the certification level of a facility as the amount of generation available during peak demand periods with 90% certainty.

Perth Energy agrees with the comments that the present method of certification, based on average output, is not appropriate for solar generators. Some mechanism is required which recognizes that a solar plant provides capacity that closely matches the SWIS demand profile. Perth Energy considers that the approach put forward provides a reasonable mechanism and therefore supports the proposed rule change.

The Draft Rule Change Report notes that the proposed method of calculation could potentially be applied to other generation types and it has been suggested that the rule be specifically limited to solar power plants. Perth Energy does not favour such a limitation. There are other technologies that could potentially utilize this rule, for example pumped storage plants or other peaking plants that can only provide capacity for a limited period. These plants can materially assist the power system reliability during very high demand periods but are not technically capable of covering the full 14 hour peak period.

Perth Energy supports the proposed Rule Change as set out by the IMO.

RC 2008 34 – Funding of SRC in the event of capacity credit cancellation

This change would allow the cost of securing supplementary reserve capacity (SRC) to be recovered from market participants where:

- A facility's capacity credits have been reduced, or
- A facility suffers an extended outage.

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Perth Energy considers this proposal represents a significant change in the way in which the impacts of outages are applied to market participants. Currently the Market Rules spread the risk of outages across all parties by setting a rate for refunds irrespective of the actual impact these outages may have. There are different seasonal values but generators do not face refunds that take account of actual events. If an outage causes severe stress to the power system, such as load shedding, the generator still only pays the same refund. Similarly, if an outage occurs at a time when there is excess capacity on the system, the refund still applies even though no other market participant has been disadvantaged. Making participants pay additional sums because they force the IMO to secure supplementary reserve capacity is a significant step from this.

However, Perth Energy considers this a reasonable step to take. It recognizes that the costs of securing SRC are potentially very high and it is possible to link the calling for SRC directly back to a reduction in capacity credits or an extended outage.

Perth Energy does have some comments in respect to the detail of the Rule Change that you may wish to consider:

- The term "extended Forced Outage" is used in 4.28.4B and should be defined for clarity.
- In 4.28.4A, the word "entirely" could be taken to exclude the situation where SRC is called partly due to a reduction in capacity credits of one facility and partly due to an extended Forced Outage of another facility.
- It should be made clear that both Clauses 4.28.4A & B apply only if SRC is called. Clause 4.48.4A could be changed "Where the number of Capacity Credits held by a Market Participant for a Facility have been reduced in accordance with clause 4.25.4 or 4.25.4C, ***and the IMO has called for Supplementary Reserve Capacity, ...***".
- Do clauses 4.28.4A & B need to include the words "subject to clause 4.28.4C"?
- To place a limit on the risk to new generators, there needs to be an overall limitation to ensure that the level of refunds applied to a facility does not exceed the annual capacity credit payments. This could be achieved by modifying the term "Maximum Refund" in the Refund Table to include this compensation.

RC 2009 11 – Changing the Window of Entry into the RSM

This change would move the window during which new generation plant is to be brought onto the SWIS by two months such that the window would open on 1 June rather than 1 August and close on 1 October rather than 30 November.

Perth Energy supports this change for several reasons:

- The earlier service requirement date reduces the risk to the power system because developers must aim for an earlier date.
- In the event that a plant is late entering service, the initial shortfall occurs at a time when the power system demand is not as high as with the current Market Rule.
- If a developer is required to pay refunds because its plant is late into service, the first two months will be paid at a lesser refund rate than is currently in the Market Rules. It would be expected that this two-month period should be sufficient to resolve any issues causing delay unless they are extremely serious.

The change also proposes that the date at which retiring plant can be withdrawn from service be advanced from 1 August to 1 June which this is consistent with the change in the window of entry for new plant. Perth Energy considers that this date should not be changed.

Under the current rule, a large generator could be withdrawn from service on 1 August but the equivalent replacement capacity may not enter service until 30 November leaving the system exposed to greater risk for four months. This situation is unchanged by the proposed rule change as there may still be a period from 1 June to 1 October where capacity could be significantly reduced. Perth Energy considers that reducing this potential exposure to only two months would increase the reliability of the power system at minimal cost and that a strong case could be mounted to delay any closure until new capacity has been brought on stream.

Yours faithfully

Ky Cao
Managing Director