Wholesale Electricity Market
Rule Change Proposal Submission Form

RC_2009_18 Reserve Capacity Refund Price Calculation

Submitted by

Name:	Stephen MacLean
Phone:	6212 1498
Fax:	6212 1035
Email:	stephen.maclean@synergy.net.au
Organisation:	Synergy
Address:	228 Adelaide Tce Perth
Date submitted:	19 June 2009

Submission

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

Synergy's view is that consistency in capacity price and refunds calculations should apply, but there is a historically based reason for the inconsistency in this case which needs to be understood.

The reason explained below suggests a justifiable value difference related to the level of security between capacity costs and refunds when excess capacity is secured.

The reason for scaling the cost of capacity when excess above the forecast is credited is to signal the reduced security value of each extra credit and how this is translated into a single capacity price.

Refunds work in a different value world to the pricing of capacity because of the outage approval behaviour of System Management. When the IMO credits more capacity than forecast System Management has a greater volume of capacity to maintain security levels therefore can allow a greater volume of plant outages than would be the case if only the forecast volume had been credited. What this means is that the actual value of capacity being used to meet demand including the reliability tolerance (8.2% or something) is higher than the market cost of capacity because the extra capacity the IMO has secured is not available, not providing extra security but is on an outage. Because it is not available for security or reserve purposes but is used to allow more outages the value of operating capacity and as a consequence refunds moves back up to the 85% of max capacity price.

The above explanation is Synergy memory of why the cost of capacity and refund payments should be different. If in the case of the IMO securing more capacity than forecast, System Management demanded a greater level of security then the two prices would align, but because no greater security is guaranteed because System Management will allow a greater volume of outages the two are and were valued differently.

Synergy understands that rejecting this rule change proposal may cause difficulties in that refunds may need to be recalculated. It is suggested that such practical concerns be taken into account when finally deciding whether the proposed rule change be accepted or not.

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

Given the above reason, Synergy is unconvinced the rule change will better facilitate the achievement of the market objectives.

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.

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

Zero time.