
Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2010_12 Required Level and Reserve Capacity Security – Second Submission Period

Submitted by

Name:	Catherine Rousch
Phone:	6212 1125
Fax:	
Email:	Catherine.Rousch@synergy.net.au
Organisation:	Synergy
Address:	228 Adelaide Terrace Perth 6000
Date submitted:	15 April 2011

Submission

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

Synergy supports Rule Change Proposal RC_2010_12, which acts to implement the Required Level concept for all Facilities as a basis for assessing whether performance hurdles, in respect of capacity obligations/refunds and triggering return of Reserve Capacity Security, have been achieved. In Synergy's view, this progresses the objective of ensuring more consistent treatment of Facilities across the Reserve Capacity Mechanism while at the same time taking into account of their potentially significantly different underlying operating characteristics.

Synergy recognises that these proposed rule changes will result in a change in the investment risk profile for Intermittent Generators in regard to return of Reserve Capacity Security (RCS). Currently, an Intermittent Generator's RCS is returned at the end of the capacity year, irrespective of performance. The proposed changes will link return of an Intermittent Generator's RCS to achieving certain percentages of its Required Level which in turn is based on its expected sent out generation. However, Synergy notes that the proposed changes also provide for risk mitigation by allowing an Intermittent Generator, through an expert's report, to propose an alternative value for the Required Level where there is doubt that it is not a reasonable representation of its first year expected sent out generation.

Synergy notes that the proposed amendments to clause 4.13.10 allow for RCS to be returned to a Facility when it either operates at least at 90% of its Required Level or provides an expert report, in the case of a Facility which sought to have its Certified Reserve Capacity assigned under clause 4.11.2(b), specifying that it can do so. Synergy understands that concern has been expressed, during

the first comment period, that this arrangement could allow for a return of RCS even though a Facility was only 90% constructed thereby exposing the market to an increased risk of Supplementary Reserve Capacity cost. Although using 90% of the Required Level for an Intermittent Generator appears consistent compared to other forms of generation capacity, an Intermittent Generator, such as a wind farm, can be unitised on a much smaller scale than conventional generation – e.g. an 80 MW wind farm can be composed of 80 separate 1 MW towers and turbines. Therefore there is a possibility, though unlikely to occur, that such an Intermittent Generator could build only 90% of its unit structures yet pass the clause 4.13.10 requirement for return of its RCS. Synergy proposes a simple change to 4.13.10(b), as follows below, which may provide sufficient reassurance to the market that this risk is covered off.

(b) is considered by the IMO to be in Commercial Operation consistent with the basis on which it was assigned Certified Reserve Capacity.,

In Synergy's view, the proposals embodied in this rule change send the right signals for investors to carefully consider levels of Certified Reserve Capacity sought from and paid by the market. Because the market relies on that capacity to perform to its certified level it is appropriate that capacity providers demonstrate that they can operate at claimed levels and have incentives to do so.

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

Synergy believes that the Rule Change Proposal as a whole will allow the Market Rules to better address Market Objectives (b) and (c):

- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors; and*
- (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.*

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.

Should this Rule Change Proposal be accepted, Synergy would not require any changes to IT or business systems, nor incur any organisational costs as a consequence of adopting the proposed change.

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

Should this Rule Change Proposal be accepted, Synergy would be able to implement this rule change immediately.
