
Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2010_12 Required Level and Reserve Capacity Security

Submitted by

Name:	Shane Cremin
Phone:	92612908
Fax:	9486 7330
Email:	shane.cremin@thegriffingroup.com.au
Organisation:	Griffin Energy
Address:	L15, 28 The Esplanade, WA 6000
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Submission

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

Issue 1: Griffin agrees with the amendments proposed by the IMO. They seem a sensible method for addressing an ambiguity in the Rules.

Issue 2: The treatment of Intermittent Generators is complicated and messy. It highlights the inadequacy of aiming to treat all forms of capacity in a similar manner, when some forms of capacity are clearly different to others (this weakness is also prevalent with respect to DSM). The 5% POE methodology may seem reasonable in theory, but it poses too many risks in practice to an Intermittent Generator (IG). For instance, it is almost certain that in the first year of operation, a wind farm will have a small quantity of its turbines out of service on a continual basis. This is because the constructor (and OEM) will be required to conduct a number of tests on each individual turbine as part of the warranty¹. Additionally, there is always a risk that the wind resource just does not meet its long-term forecasts (variability is inherent with IGs not only interval to interval, but across a whole year). As an example, Emu Downs Wind Farm (EDWF) experienced over 98% availability in the month of December – historically the strongest wind month in the region. During December, it operated with an average capacity factor of 42.7%, well above its accredited capacity factor of 37.3%. However, EDWF did not operate at 100% of its capacity during a single interval during

¹ This may be considered equivalent to the likely lower reliability a new thermal plant has immediately upon commissioning – which is a natural expectation of these types of technologies.

December. While the wind resource was generally excellent, it did not specifically get above the maximum speed required for maximum output from the turbines. This is an unusual occurrence, however highlights the risks with the theoretical statistical methodologies.

It is Griffin's belief that all new IG proponents should merely be required to provide evidence from an IMO accredited expert that the facility is complete as per the original specifications (or to identify any deviations from this). This is consistent with how it estimates its capacity factor before it is first awarded capacity credits. It is easier for the IMO to manage the credibility of its accredited experts than to manage the complexities these rule changes seem to imply. As for capacity credit refunds, an IG is only offered around 35-40% of its actual capacity value in the first place, even though it will be very likely to generate vastly more MWh and operate more often at its installed capacity than most liquid peakers or DSM facilities in any given year. So capacity refunds are already somewhat implied in the commercial sense. Failure to provide (a proportion of) capacity in its first year of operation should result in (a proportionate amount of) its capacity payments being refunded, rather than introducing complicated mechanisms to allow the facility to be held accountable on the same basis as a scheduled generator (see Griffin's submission to RC_2010_22). While this is different to how a scheduled generator is treated, this is necessarily so, as the technologies are fundamentally different.

Issue 3: As above, Griffin prefers a simpler methodology based around the report of an accredited expert rather than introducing concepts such as Required Level and Commercial Operation.

Issue 4: Griffin agrees with the amendments proposed by the IMO. They seem a sensible method for addressing an ambiguity in the Rules.

Issue 5: Where changes create consistency with the standard process, these changes should be adopted. Where they introduce new concepts (such as the Required Level), Griffin would prefer simpler methodologies to be implemented.

Issue 6: Griffin agrees with the proposal

Issue 7: Griffin agrees with the proposal

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

Griffin generally accepts that the proposed changes do not adversely impact the Market Objectives, however we are concerned at the level of complexity being introduced to the Rules on the basis, it seems, to continue to try to apply consistent treatment under the Rules of very different technologies. We believe simpler approaches specific to differing technologies are justified. While this may mean adopting new approaches as new technologies are brought into the market (that do not fit any existing technology types), this is preferable to adopting a one-size-fits-all approach which ends up producing poor incentives across the board.

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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.**

NA

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

NA
