
**Wholesale Electricity Market
Rule Change Proposal Submission Form**

**RC_2010_25 and RC_2010_37 Calculation of the Capacity Value of
Intermittent Generation**

Submitted by

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Submission

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

Security and reliability of energy supply are key policy objectives of the Government of Western Australia.

It is critical that investment in energy supply infrastructure in the State is sufficient to meet the future needs of our economy and our community. It is also important that energy supply is of a consistently high quality and is delivered with minimal disruption.

The capacity market administered by the Independent Market Operator plays a vital role in ensuring that these Government objectives are achieved in relation to the supply of electricity. The allocation of capacity credits to generation facilities in accordance with the value of their contribution to the security and reliability of supply is an essential component of this arrangement.

The Office of Energy strongly recommends that, in assessing the two Market Rule change proposals under consideration, the Independent Market Operator takes into

account Government's objective of ensuring that Western Australians enjoy a secure and reliable supply of electricity.

The Office of Energy notes that, in the absence of a one-in-ten-year event, the data used in support of both Market Rule change proposals is not as comprehensive as would be desired. In light of this, the Office of Energy is of the view that the Independent Market Operator should err on the side of caution in evaluating the proposals to ensure security and reliability of supply is not put at risk.

It is understood that the proposed Rule Change will require the Independent Market Operator to conduct a five year review of the methodology for determining the Relevant Level of Capacity Certification for a Facility, to ensure it is effective in its application. The Office of Energy considers that there is merit in reviewing the valuation methodology at a future date to take into account the operational impacts of Rule changes and any additional information that may be available.

The review should be independent and take into account the impacts of the implementation of the methodology in relation to the Market Objectives. It is contemplated that the review would also consider the impacts of the methodology on market revenue and the views of Rule participants. Evaluation of studies of capacity credit allocations to wind in other markets would also provide useful context.

The Office of Energy considers that such a review would require modelling in order to better understand the relationship between intermittent generation and the most critical periods of high system risk. It is considered that this analysis should be conducted as a priority ahead of commencement of such a review process.

The timing for the review may need to take into account the impacts of the Rule change over the first Reserve Capacity Cycle implementation period.

The Office of Energy notes that another of the State Government's key strategic objectives is to support the production of cleaner energy. Government is researching policy initiatives in this area.



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A/COORDINATOR OF ENERGY

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