

Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2012_20 Consideration of Network Constraints for Certified Reserve Capacity

Submitted by

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Submission

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

Background

When assigning Certified Reserve Capacity (CRC) to a generation Facility, the IMO ensures network access arrangements allow the Facility to export energy into the transmission/distribution network. This is done with reference to the Facility's Declared Sent Out Capacity (DSOC)¹ level for a connection point. This DSOC level is also used by Western Power, when planning for the network, where it is assumed that both existing and new generators will only export up to the level of their DSOC. Western Power does not guarantee the availability of capacity for a Facility to export above its DSOC.

¹ As referenced in the Electricity Network Access Code and the associated Model Standard Access Contract and defined as the maximum amount of electricity that a Facility may transfer in the network or connection point.

Currently Generators that apply for CRC must have unconstrained access to Western Power's network for the level of CRC that they are applying for. For Scheduled Generators the level of CRC that may be awarded by the IMO is limited to the DSOC available at the generator's connection point². Non-Scheduled Generators are treated in a similar manner however the IMO may also consider estimates of generation³. If the IMO determines not to rely on the estimates of generation it may also determine to award CRC to the Non-Scheduled Generator **only** up to the level of DSOC available.⁴

The IMO recently assessed an application for CRC from a Scheduled Generator and a Non-Scheduled Generator accessing the network at the same connection point. As a reflection of the current operation of the Market Rules, the CRC that was applied for, and awarded to these generators (in aggregate) exceeded the total DSOC at the connection point. This outcome was possible as the Market Rules currently apply this test on an individual generator basis (in isolation).

Change Proposal

The IMO has submitted Rule Change Proposal RC 2012 20 "Consideration of Network Constraints for Certified Reserve Capacity" for consultation.

The Rule Change Proposal seeks to amend clause 4.11.1 of the Market Rules, by explicitly addressing the situation where a connection point is shared, capping the total amount of CRC that can be awarded to facilities at the total DSOC level of the connection point.

Collgar's Views

Collgar Wind Farm (Collgar) supports the general intent of the IMO's Rule Change Proposal but is highly concerned that the rule change may have unintended consequences for participants. In recognition of these concerns Collgar only supports this proposal, conditional on the adoption of a "first in, best dressed" allocation methodology. Our rationale for this conditional support is outlined below.

Collgar acknowledges the N-1 standard that is currently applied by Western Power in conducting its network studies and that customers require certainty that electricity supplies will not be interrupted, consequentially, as a result of a network constraint. Collgar accepts that the current shortcomings in the Market Rules that have given rise to this issue should be addressed.

We are very concerned however as to the lack of clarity as to how the IMO would seek to apportion the associated CRC to facilities sharing connection points. The Rule Change Proposal does not, in Collgar's view, adequately address this crucial consideration. Given the significant implications to the funding and commercial sustainability of generators, we believe that the allocation methodology should be established now, as part of the consideration of the merits of this Rule Change Proposal.

Collgar holds the firm view that DSOC at shared connection points should be allocated on a "first in, best dressed" basis for the purposes of allocating CRC. This may mean that the last

² Market Rules 4.11.1(b) and 4.10.1(bA)

³ Provided in an expert report

⁴ Market Rules, Appendix 9, step 10.

connecting generator receives less CRC (in some cases no CRC) until the DSOC of the connection point can be increased.

Crucially a “first in, best dressed” approach would provide certainty to existing facilities, particularly Non-Scheduled Generators, that the level of CRC they receive cannot be compromised by a third party. This approach would also provide certainty for new entrant facilities as they would be able to calculate the amount of CRC they would be accredited for as the lesser of the amount of available DSOC and their intended installed capacity. This issue is critical to investment certainty, particularly for non-scheduled, renewable energy projects.

Collgar is extremely concerned that a situation could develop where a generator could lose CRC due to no fault of its own. In a theoretical situation where a Non-Scheduled Generator shared a connection point with a Scheduled Generator that subsequently increased its capacity above the connection point’s DSOC, the Non-Scheduled Generator could, under any allocation methodology other than “first in, best dressed”, be penalised. Not only would these circumstances detrimentally impact the Non-Scheduled Generator financially, they may also lead to a breach of existing contractual obligations.

Collgar takes this opportunity to highlight the increase in regulatory risk that arises for generators (and their financiers) as a consequence of progressing rule changes of this nature.

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

Collgar considers that the proposed changes to the Market Rules would positively impact on the facilitation of Market Objective (a)⁵ relating to the safe and reliable production of electricity. This is because the proposed change would ensure that all CRC on the system is firm and has the same level of reliability and availability in an N-1 network scenario.

Collgar view that the inclusion of the allocation methodology as part of this Rule Change Proposal, and in particular adopting a “first in, best dressed” approach, would positively impact on the facilitation of Market Objectives (b) and (d) relating to encouraging competition and minimising the long term cost of electricity supply by providing greater clarity and long term certainty for investors in the WEM.

Collgar has not identified any impacts on the other Market Objectives.

⁵ The objectives of the market are:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- (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;
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.

- 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.**

There will be no impacts on Collgar.

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

Collgar will not require any lead time to implement the proposed changes.