



INDEPENDENT
MARKET
OPERATOR

Wholesale Electricity Market Submission to Rule Change Proposal

RC_2013_20 Changes to the Reserve Capacity Price and the dynamic Reserve Capacity refund regime

Submitted by

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Submission

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

EnerNOC supports the proposal. We believe that the extensive consideration given to these issues by the RCMWG and the IMO's consultants has resulted in a sound set of recommendations that, implemented together, will fix the identified flaws in the market design. In particular, it will solve the problem of excess capacity both by providing an effective price signal to deter investment when it is not needed, and by ensuring that consumers do not pay extra for excess capacity.

We still believe that a capacity auction is the best way to discover the appropriate price for capacity. However, we agree with the Lantau Group's view that it would be a formidable challenge to devise a workable auction mechanism for the WEM that avoided problems with

market power and the “zero-infinity issue”, and that the cost of administering such a mechanism would be prohibitive for a small market.

The proposed changes to the Reserve Capacity Price formula represent a practical solution that should achieve outcomes comparable to those of such an auction, including providing appropriate incentives for all participants, but with much less complexity.

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

EnerNOC agrees with the IMO’s assessment that the proposed changes will better facilitate objectives (a) through (d). We also think that it will assist with (e): a more dynamic capacity investment signal should help ensure that an appropriate quantity of demand-side capacity resources enters the market.

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.

The changes in market pricing outcomes will affect EnerNOC’s investment decisions and our ability to attract customers to participate in the market: we will be better able to attract customers when the balance of capacity supply and demand is tight.

Although there will be broad implications for our organisation, we do not anticipate any material implementation costs, as no systems changes should be needed.

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

We can comply with the proposed implementation timetable.
