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## Wholesale Electricity Market Rule Change Proposal Submission Form

**RC\_2013\_21**

**Limits to Early Entry Capacity Payments**

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### Submitted by

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### Submission

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

##### Background

Originally, the Market Rules provided for capacity from new Facilities to be made available to the market at any time during a four-month window (between 1 August and 30 November) centralised around 1 October. Market Participants were able to nominate any date within the window, and could revise their expected entry date as the project nears completion. Capacity credit refunds applied from 1 December onwards.

RC\_2009\_11 amended the Market Rules to allow capacity from new Facilities to be made available to the market and receive Capacity Credit income during a four-month window between 1 June and 1 October, centralised around 1 August, with Capacity Credit refunds applying from 1 October onwards. The changes were intended to reduce the risk associated with new entrant generators not being available by the summer peak period. By coming on no later than 1 October new plant would have a few months to fine-tune its operations before the summer peak demand period. It is important to note that these changes were implemented at a time where reserve deficits were a real concern to the market. Since the commencement of RC\_2009\_11 the IMO has identified that an oversupply of capacity has occurred.

In early 2012 Synergy proposed amendments to clause 4.1.26 of the Market Rules so that only capacity provided by Scheduled Generators and Non-Scheduled Generators could enter the market and be paid for their new capacity prior to 1 October (refer to RC\_2012\_10). For all other types of Facilities, specifically capacity provided by Demand Side Programmes (DSP), Reserve Capacity Obligations and hence payments would commence on 1 October.

Following the public consultation processes, the IMO determined to reject Synergy's proposal on the basis that the proposed changes would be inconsistent with the Market Objectives. In particular, the IMO considered that the proposed changes would discriminate against DSM (Demand Side Management) technology options. The IMO however acknowledged that a number of submitting parties stated their broader support for changes to remove early capacity payments for all facility types during times of excess capacity. The



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IMO noted that as further work would be required to develop and assess this option and so it included the issue into its Rule Issues Log for further consideration.

In October 2013 the Market Advisory Committee (MAC) discussed the continuing priorities for the Market Rules Evolution Plan, where the removal of early entry capacity payments where there is excess capacity in the market was agreed to be a priority for the IMO to remove the unnecessary, inefficient associated costs to the market.

### **Proposed changes**

The IMO proposes to remove early entry capacity payments where the market has excess capacity. This will be implemented via the following process:

- The IMO will determine whether the Reserve Capacity Requirement (RCR) has already been met by existing capacity for which a Reserve Capacity Security is not required in each Capacity Year.
- Based on its determination, the IMO will publish a notice as to whether early entry capacity payments will be available for that Capacity Year.

The IMO also proposes to enable early entry capacity payments to be available for facilities that were provided Early Certified Reserve Capacity under clause 4.28C.

### **Alinta's views**

Alinta supports the proposed amendments which will result in early entry capacity payments only being available to facilities where there is a shortage of capacity. This would result in a more resilient market design and remove unnecessary costs that are currently being incurred by the market (estimated by the IMO to be approximately \$1.55 million per annum).

Alinta notes that its views around the necessity of early entry payments for DSM have not changed from those presented in its second round submission for RC\_2012\_10<sup>1</sup>.

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<sup>1</sup> A copy of Alinta's submission is available via the following link: [http://www.imowa.com.au/rules/rule-changes/wem-rule-changes/rejected/rule-change-rc\\_2012\\_10](http://www.imowa.com.au/rules/rule-changes/wem-rule-changes/rejected/rule-change-rc_2012_10)