

## EnelX Submission on Tranche 4B WEM Amending Rules

### Clause 4.25.4E

- We support the proposed removal of clause 4.25.4E. I agree with the comments made by Dora in TDOWG meeting #37 that there is no policy reason to treat DSPs differently to other capacity providers in relation to the voluntary reduction of capacity credits. The proposed amendment is consistent with the government's commitment to treat DSP on equal footing with other capacity providers wherever possible.
- I understand that this clause was originally introduced to address a concern that DSP providers would voluntarily reduce their capacity credits to decrease the likelihood of being dispatched in periods when supply/demand conditions are expected to be tight. This seems to be built on a concern that some hold that DSP will not actually be available when called upon.
- The PUO acknowledged this concern in its work on *Improving capacity pricing signals* and addressed it through new testing requirements and an obligation on DSPs to put up a security deposit each year. Under this new framework, DSP providers have an incentive and a regulatory obligation to make sure that the capacity they committed to provide is available in the relevant capacity year, just like any other capacity provider. The security, testing and penalty regimes are robust and will deter any participant from taking on a capacity obligation speculatively or failing to deliver contracted capacity.
- Given this, there is no policy reason to penalise a DSP for seeking a reduction in capacity credits. Clause 4.25.4E is one of many remaining barriers to meaningful levels of DSP participation in the WEM. I encourage Energy Policy WA to not be swayed by incumbents that present arguments that aren't based on facts or sound policy analysis.
- Further, clause 4.25.4B of the rules requires that a participant requesting a reduction in credits provide a reason for the request, and clause 4.25.4C gives AEMO sole discretion to approve or reject that request. This provides a check on the DSP's reasons for requesting the reduction.

### Amendment to clause 4.4A.1

- We support the proposed amendment to clause 4.4A.1 to make it clear that DSPs are not captured by this obligation.
- I understand that the purpose of the obligation in 4.4A.1 is to forewarn AEMO and the market of potential reliability shortfalls arising from the exit of a significant capacity provider ahead of the capacity cycle.
- A portfolio of loads is not akin to an ageing generator – it does not have a technical lifespan. DSPs will seek to participate in the capacity market when the incentives are there, and will continue to do so (albeit with a potentially changing set of loads) for as long as those incentives remain.
- DSPs will continue to provide information about their expected capacity to AEMO at each capacity cycle. Further, in most cases it is unlikely that a DSP will be of a size that would present a reliability concern should it exit the market.

- This all said, we do not oppose the use of a threshold for this obligation, so long as it applies to all capacity providers. This threshold should be set at a capacity level above which there would be unacceptable risks to reliability if that provider exited without warning inside the three-year notice period.

Regards

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