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Energy Policy WA

Level 1

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Perth WA 6000

Lodged email: energymarkets@dmirs.wa.gov.au

Dear Energy Policy WA,

RE: Reserve Capacity Mechanism Review: Information Paper (Stage 1) and Consultation Paper (Stage 2)

Karara Mining is pleased to respond to Energy Policy WA's (EPWA's) "Reserve Capacity Mechanism Review: Information Paper (Stage 1) and Consultation Paper (Stage 2)" (Consultation Paper).

About Karara Mining

Karara Mining Limited ACN 070 871 831 (KML) engages with the energy markets in WA through its wholly owned subsidiaries, Karara Power Pty Ltd ACN 137 632 001 (Karara Power) and Karara Energy ACN 123 488 764 (Karara Energy). KML is a wholly owned subsidiary of Ansteel Group Corporation (Ansteel)

Karara Mining operates a Magnetite Mine in the Mid-West area of Western Australia and is connected to the SWIS by a privately owned 330kV transmission line. The Karara Mine is one of the larger single loads on the SWIS North Country.

Karara Mine presents a constant demand to the SWIS (outside of KML maintenance shutdowns or WP/AEMO curtailment periods). The mine demand is neither temperature dependant, nor does it follow a day-night cycle.

Submission

KML has not responded to all the questions raised by the Consultation Paper. KML supports maintaining the existing mechanisms with regard to the IRCR. KML understands that its steady large industrial load is of value to network stability, particularly during low-grid-demand periods, and this should be recognised within the context of IRCR cost reduction for the benefit our loads provide to the network The following table sets out our response.

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Proposal	Question	KML Position	Comments
A	(1) Do stakeholders support determining IRCR based on contribution to high demand intervals?	Support	KML understands that the intent of the IRCR is to provide a mechanism to fairly apportion the costs of the reserve capacity over the consumers in the SWIS. In this regard, the current method of utilising the high demand periods, matches to the method of determining the Reserve Capacity Requirement. KML asserts the current method provides a fair way of matching the costs of the RCR to the users of the capacity.
B	(2) Do stakeholders support the proposed interval selection methodology?	Support	As above - existing
C	(3) Do stakeholders support the removal of TDL and NTDL multipliers?	Oppose	KML views the TDL/NTDL multipliers as necessary. The NTDL consumers provide certainty to future network demand predictions. This reduces the error in future predictions of RCR and therefore reduces the cost to market participants. The price stabilisation created by NTDL consumers should continue to be incentivised through the TDL/NTDL multipliers. The EPWA paper, "Low Load Project: Stage 1 report", defines the "low demand issue" KML notes that the Karara Mine Load being a constant load mitigates the "Low Demand" issue. Based on the minimum demand figures presented in the "Low Load Project report", the Karara Mine load represents ~7.5% of system demand during these low demand periods. The "Low Load Project report" further notes (Table 4) that minimum demand is likely to continue to decrease in the future.

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			If it is eventually decided to remove the TDL/NTDL multipliers, a mechanism should be created to recognise and reward the effects of the loads that support system stability under low demand conditions.
S	(26) Do stakeholders agree with the proposed distribution of collected capacity refunds?	Support	The RCR requirements are calculated using the expected availability of the various participants. When a single participant fails to deliver, the remaining RCR participants are not required to perform above their contracted requirements, as the non-delivery is already built into the RCR requirements. Therefore, when a participant fails to deliver, the penalty should not accrue to the other RCR providers, but to the consumers who are paying for non-delivered RCR. In other words, the consumers should be refunded for the generation participants failure to deliver.

Yours sincerely

KARARA MINING LTD

Changjiang Zhu

Chief executive Officer