

Our ref: MAD050/MAD264  
Enquiries: Greg Ruthven  
Phone 9254 4301

Elizabeth Walters  
Assistant Director, Electricity  
Economic Regulation Authority  
PO Box 8469  
PERTH BC WA 6849

Dear Ms Walters,

**APPLICATION FOR EXEMPTION FROM CERTAIN REQUIREMENTS OF THE  
TECHNICAL RULES SUBMITTED BY WESTERN POWER (BYFORD PV SOLAR  
FARM CONNECTIONS)**

The Independent Market Operator (IMO) welcomes the opportunity to comment on Western Power's application for exemption from certain requirements of the Technical Rules in respect of the connection of WestGen Pty Ltd's (WestGen) three Byford solar farms.

The IMO has no objection to the connection of WestGen's facilities, the exemption being sought by Western Power or the runback scheme that is being proposed. The IMO notes Western Power's advice that the proposed runback scheme "*does not require co-ordination with any other runback schemes at present*".

The IMO also notes that, in the event that it receives an application for Certified Reserve Capacity for the affected facilities, it would seek relevant information about the runback scheme from Western Power under clause 4.11.5 of the Market Rules to enable it to assess the likely impact of the runback scheme on the output of the facilities. This is consistent with the way that the IMO has treated other runback schemes when assessing previous applications for Certified Reserve Capacity.

The requested exemption is proposed to apply until the earlier of:

- the establishment of the network constraint tool (NCT) for the *Competing Applications Group (CAG) No. 81: South country generation*; and
- 1 December 2018.

As outlined in the following section, the IMO has significant reservations about the viability of the proposed NCT.

The IMO notes that the application does not include any justification or reason for the alternative exemption end date of 1 December 2018.

### **The proposed NCT**

The IMO understands Western Power's obligations to progress the connection applications that it has received and has been in discussion with Western Power for several months in relation to the proposed NCT and alternative solutions.

The IMO has significant concerns about the implementation of a 'partially constrained' network/market model via the proposed NCT. The IMO and Western Power have considered a number of possible options for such a model but these investigations have identified that a partially constrained network/market model would:

- be unlikely to deliver least-cost generation for the SWIS by preventing the dispatch of lower price generation;
- be likely to compromise the integrity of the Balancing Merit Order;
- reduce market transparency and undermining the accuracy of forecast pricing; and
- be unlikely to satisfy the Electricity Market Objectives in order to enact the changes to the Market Rules and Market Procedures required to support the NCT.

At this point the IMO believes the NCT cannot be implemented successfully under the current regulatory and market framework.

Consequently, the IMO considers that the proposed NCT is not feasible. Neither the IMO nor Western Power has identified a suitable alternative partially constrained solution.

### **Constrained network access model would be superior to the proposed NCT**

The IMO and Western Power have agreed in discussions that a constrained network access model, as suggested in the Electricity Market Review Discussion Paper, would be a superior solution that would eliminate the need for the NCT or an alternative partially constrained solution. The IMO notes that, in its submission to the Discussion Paper, the Economic Regulation Authority identified constrained network access as one of the most pressing problems in the electricity sector. The IMO and Western Power's submissions also supported the implementation of a constrained access model.

The adoption of a constrained network access model has the potential to deliver significant long-term economic benefits for Western Australia. Associated changes to the Wholesale Electricity Market (WEM) would deliver material improvements by:

- transparently determining the least-cost dispatch outcome for the market, accounting for generation offers and network conditions;
- providing locational price signals that would incentivise new capacity or network investment that would deliver greatest value to WA customers;
- improving equity between incumbent and new Market Participants;
- providing transparency over the configuration and ratings of the transmission network;
- enabling the economic cost of constraints (or network outages) to be easily calculated, improving decision-making with respect to new capacity or network investments; and

- more closely aligning the WEM with other electricity markets (to the IMO's knowledge, only the SWIS and Alberta operate on an unconstrained basis).

The IMO notes that adoption of a constrained network access model requires a policy decision by the government and significant regulatory changes. In addition, the IMO would estimate that the time required to implement a constrained market would be in the order of two to three years.

### **Pressing need for policy guidance**

Given:

- the requirement for Western Power to progress the connection applications that it has received;
- the indication from Western Power that the CAG generators require connection to the SWIS by April 2017;
- that the NCT or a suitable alternative partially constrained solution is not feasible; and
- the timeframe required to implement a constrained network access model;

there is an urgent need for policy guidance in relation to a constrained network access model.

Consequently, the IMO and Western Power are considering jointly writing a proposal to Government to request a policy decision on the adoption of a constrained network access model and would welcome the support of the Economic Regulation in doing so. If you would like to further discuss any matters raised in this submission, please contact Greg Ruthven, Manager – Industry Review, on (08) 9254 4301 or by email: [greg.ruthven@imowa.com.au](mailto:greg.ruthven@imowa.com.au).

Yours sincerely 

**ALLAN DAWSON**  
**CHIEF EXECUTIVE OFFICER**

3 December 2014

Cc: Paul Italiano, Western Power  
Ray Challen, Public Utilities Office  
Richard Harris, WestGen