

# Community Electricity

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## Submission in Response to ERA Public Consultation

### 2014 Wholesale Electricity Market Report to the Minister for Energy

#### Standing

Community Electricity is:

- a. a licenced Electricity Retailer and a provider of Electricity Retail Services and Market Consultancy;
- b. a member of the Independent Market Operator's Market Advisory Committee;
- c. a member of the Economic Regulation Authority's Technical Rules Committee.

Further information is available at: [www.communityelectricity.net.au](http://www.communityelectricity.net.au)

#### Submission

Community supports the ERA's proposed emphases given the separate reviews of the Wholesale Market and the EGRC Regulatory Scheme.

We make the following suggestions.

#### Synergy's winter baseload outages

The clustering in winter of Synergy baseload outages should be investigated because of the adverse impact on wholesale energy prices. We note that in 2014, the system energy consumption in July was 98.4% of that occurring in February, and 93.5% of the January consumption. In comparison, the weighted average of Synergy outages was around 350MW in July and 225MW in June and August, compared with nominal quantities in January to May. This has the effect of increasing energy prices; the average (flat) price in February was 59.0\$/MWh (carbon-inclusive) compared with 67.3\$/MWh in July. We further note that higher outage levels (400MW+) in October, November and December had only a relatively modest impact on prices because of the lower load in those months.

We further note that Synergy has already booked an 80 day outage of Muja 6 throughout June and July.

#### The Ancillary Services Quantity

Further to our various previous public submissions to various forums in respect of the LFAS market, System Management has constructively engaged us and helped us improve our understanding of how the ancillary services function actually works.

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We had previously understood that the system LFAS charge is a 'price' multiplied by a 'quantity' and that the optimum quantity is indicated by the extent to which the system frequency is maintained within the tolerance stipulated by the Technical Rules - better than 99.0%. Given that over the last few years the system frequency was maintained within tolerance for around 99.99% regardless of whether the quantity was set at the previous levels of 60MW, 90MW, 80MW or the present 72MW, we had proposed that the quantity is set too high and should be progressively reduced with careful regard being paid to its impact on maintenance of the frequency. Notwithstanding that, we were perplexed that relatively large changes in the quantity had no effect on the maintenance of the frequency, even though during this period very substantial amounts of intermittent generation was added to the system.

We are now given to understand that this comprehension is mistaken; there are actually *two different quantities* involved in the LFAS arrangement - the quantity being physically dispatched and the quantity being paid for. The variations from 90MW to 72MW pertain only to the quantity being paid for, while the quantity being physically dispatched has remained the same throughout because it is an artefact of the Automatic Generator Control of the Synergy Generation Portfolio. In effect, the distinction is blurred between AGC adjustment of generators for dispatch, LFAS, Spinning Reserve and Load Rejection Reserve. We further understand that the subjectivity in the quantity being paid for is mitigated by relating it to the quantities delivered by specific generators assumed to be solely delivering the service; for example, 80MW is available from two Pinjar Frame 9s and 72MW from the two Kwinana HEGTs.

We therefore suggest that the ERA assess the veracity of this comprehension as a basis for untangling the present situation and efficiently pricing ancillary services; it would seem that the focus ought to be on adjusting the artefact quantity and how to relate to it the funded quantity. Equally, noting that the ERA has itself noted that there is no evidence that provision of the Load Rejection Reserve incurs a cost that is not already recovered elsewhere, we question whether this might also apply to the cost of LFAS and Spinning Reserve (which is essentially negative LRR).

## The Tariff Adjustment Payment

While we acknowledge that there is no merit in duplicating the work of the Electricity Market Review, we note that the EMR is predicated on a perception of the TAP that may not be accurate. We therefore suggest that the ERA publish a view on the actual nature of the TAP, including its intent, magnitude and forecast evolution. We also consider that the TAP is being applied to Synergy's contestable customers and is thereby inappropriately inflated. We also note that Synergy has offered to not-for-profit and educational institutions solar PV Feed-in-Tariffs based on the L3 (32.9c/kWh) and R3 (41.8/12.9 c/kWh) consumption tariffs; we welcome clarification of whether this is being funded via the TAP.

## Transparency of market information

We note that there is a quiet revolution proceeding as the IMO is progressively publishing more market information in a conducive format, centered on its Market Pulse home page. This facilitates a much more detailed understanding of the market and leads to innovation and efficiency.

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Given the relative regulatory hiatus in the wake of the Electricity Market Review, we suggest that relative priority be given to the general picture of how components of the wholesale and network prices are converted into price signals for consumers. In particular, we would suggest key areas include the costs and benefits of the portfolio operation of Synergy's generating fleet and the price signals in the network and retail tariffs.

## Contact

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