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## Wholesale Electricity Market Rule Change Proposal Submission Form

<RC\_2008\_27> < Funding of Supplementary Reserve Capacity >

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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.**

On 28 August 2008 the Independent Market Operator (IMO) submitted a Rule Change Proposal regarding changes to clauses 4.28.3 and 4.28.4 of the Wholesale Electricity Market Rules (Market Rules). The IMO has submitted that under the current Market Rules, the IMO must separate the total costs of funding Capacity Credits into two separate sets . a Targeted Reserve Capacity Cost and a Shared Reserve Capacity Cost.

Under the current Market Rules, the Targeted Reserve Capacity Cost includes the net payments to be made by the IMO under any Supplementary Capacity Contracts. Synergy supports the IMO's view that the current arrangements for funding the costs of the Supplementary Capacity Contracts does not appear to be equitable.

Whereas all Market Customers derive a benefit from Supplementary Reserve Capacity, the current method of allocating the cost can impose an unequal burden by allocating the cost to only those Market Customers that have failed to purchase sufficient Capacity Credits. The inequity of this burden is compounded where the need for Supplementary Reserve Capacity is created by either:

- The failure of a Market Generator whose Capacity Credits have been purchased to satisfy the Individual Reserve Capacity Requirements of a different Market Customer; or
- An overall increase in the load forecasts of the IMO establishing the need for the IMO to procure more capacity.

Synergy was the Chair of the Supplementary Reserve Capacity Working Group, formed by MAC. The Working Group has reviewed this rule change at some length, and has agreed to support this rule change through the formal process. Synergy notes that the Working Group had some concerns in that the appropriate funding for the additional costs associated with the use of the Supplementary Reserve Capacity mechanism and the distribution of these costs amongst Market Participants has not yet been advanced, but that these arrangements are now in hand.

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**2. Please provide an assessment whether the change will better facilitate the achievement of the Market Objectives.**

Synergy accepts the IMO's view that the proposed rule change supports the operation of the Market Objectives. Specifically, Synergy views that the proposal supports market objective (a) by promoting the economically efficient supply of electricity in the South West Interconnected System. This will be achieved by spreading the cost of Supplementary Reserve Capacity across all Market Customers rather than targeting individual Market Customers which may have little to do with triggering these costs. Further, the rule change supports market objective (b) by encouraging competition among retailers in the South West interconnected system. This will be achieved by correcting the apparent inequitable treatment of some retailers under the current Market Rules.

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**3. Please indicate if the proposed change will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.**

Synergy does not identify any substantial cost implications in implementing this rule change.

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**4. Please indicate the time required for your organisation to implement the change, should it be accepted as proposed.**

Synergy does not anticipate that this rule change proposal will take a protracted period of time to implement.

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