

Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2010_16 Updates to Reserve Capacity Obligation Provision

Submitted by

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Date submitted:	22 July 2010

Submission

- Please provide your views on the proposal, including any objections or suggested revisions.**

Background

The Independent Market Operator (IMO) has identified some manifest errors with drafting amendments adopted to implement Rule Change Proposals RC_2009_11 (“Changing the Window of Entry into the Reserve Capacity Mechanism”) and RC_2009_08 (“Updates to Commissioning Provisions”).

RC_2009_11 changed the window for entry into the Reserve Capacity Mechanism from being between 1 August and 30 November to being between 1 June and 1 October of the relevant Capacity Year, applicable for the 2010 Reserve Capacity Cycle onwards. There was no retroactive change, so all Facilities that were certified prior to the 2010 Reserve Capacity Cycle continued to have the window for entry as being between 1 August and 30 November.

RC_2009_08 made a number of changes in relation to commissioning provisions, including allowing for Market Participants to continue with commissioning activities beyond 30 November for a period up to four months from the day of first connection to the South West Interconnected System (SWIS). During this extended period of commissioning RC_2009_08 allowed for Facilities to exclude themselves from operating in the energy market, submitting Resource Plans or being subject to UDAP and DDAP payments. RC_2009_08 also introduced a change so that all Facilities that were not fully commissioned by 1 October would be subject to a 100% Forced Outage payment. This change was also not meant to apply retroactively.

The IMO has identified that the drafting amendments to the Market Rules to implement RC_2009_11 and RC_2009_08 were deficient in that the drafting was not adequately transparent in identifying that:

- The changes to the window of entry only apply to 2010 Reserve Capacity Cycle onwards; and
- The application of a 100% Forced Outage payment from 1 October only applies for the 2010 Reserve Capacity Cycle onwards.

Change Proposal

On 30 June 2010, the IMO submitted a Fast Track Rule change to rectify the manifest errors identified above. The IMO proposed to amend clause 4.1.26 and 4.26.1A to clarify that the changes implemented by RC_2009_11 and RC_2009_08 were not to be applied retroactively.

Perth Energy's Views

Perth Energy agrees with the IMO that there were manifest errors in the drafting amendments adopted to implement RC_2009_11 and RC_2009_08. Perth Energy therefore agrees that it is appropriate to advance this Rule Change Proposal via the Fast Track provisions of the Market Rules.

Perth Energy agrees with the IMO that the change should be made to correct the manifest error.

Perth Energy queries whether the proposed drafting amendments to implement RC_2010_16 should refer to "1 December" rather than "30 November" in the following clauses:

- 4.1.26(b)(iii);
- 4.26.1A(a)(v); and
- 4.26.1A(a)(vi).

Perth Energy highlights to the IMO its preference for the period of Commissioning (and the application of the Forced Outage payment) to be amended from a conclusion of 1 October to 1 December of any given Reserve Capacity Cycle. This will reduce the risk to Market Generators when commissioning new plants, encouraging their participation and reducing the risk premiums associated with pricing within the Reserve Capacity Mechanism. Perth Energy acknowledges that such a change to the drafting is not contemplated within the Fast Track Rule Change process for RC_2010_16 and Perth Energy will therefore progress this change through a separate Rule Change process.

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

Perth Energy considers the Rule Change Proposal would marginally better facilitate the achievement of Market Objective¹ (a) as it would ensure no confusion exists as to the rights and obligations of Facilities that entered the market before the 2010 Reserve Capacity Cycle as opposed to the rights and obligations of those Facilities that enter the market from the 2010 Reserve Capacity Cycle onwards.

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.

There will be no impact for Perth Energy.

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

Perth Energy does not require any lead time to implement the change.

¹ The objectives of the market are:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- (c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.