
Wholesale Electricity Market Rule Change Proposal Submission Form

<RC_2008_34> <Funding of Supplementary Reserve Capacity in the Event of Capacity Credit Cancellation>

Submitted by

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Submission

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

On 2 October 2008 the Independent Market Operator (IMO) submitted a Rule Change Proposal regarding changes to clauses 4.28.4, 4.28.4A, 4.28.4B and 4.28.4C of the Wholesale Electricity Market Rules (Market Rules).

This rule change was first contemplated within the Supplementary Reserve Capacity (SRC) Working Group, of whom Synergy was the Chair, as one of a number of rule changes to drive the equitable and efficient treatment of Market Participants under circumstances where the market requires a Supplementary Reserve Capacity process to be held.

As the Chair of the Supplementary Reserve Capacity working group, Synergy confirms that it was the majority view of that group that if a Market Participant had its capacity credits reduced, which results in a shortfall and Supplementary Reserve Capacity is called, the cost of that capacity should be targeted at that Market Participant. That is, the Market Participant should pay to the IMO compensation due to capacity credits not being available to the market.

Consistent with the underlying causer pays principle, the proposed clause 4.28.4A stipulates how much a market participant must pay the IMO where the number of capacity credits held by that Market Participant for a facility have been reduced and caused the need for Supplementary Reserve Capacity. This clause effectively limits the amount to the total value of capacity credit payments that would have been associated with the reduced capacity credits.

This rule change extends the requirement to recompense the market for cancellation of capacity credits to those plants who are subject to extended forced outage. Synergy supports that in these instances the amount should be limited to half of the total value of capacity credit payments associated with the capacity experiencing the delay or the forced outage.

Synergy wishes to take this opportunity to once again stress that the use of the Supplementary Reserve Capacity process has the potential to place a substantial financial burden on Market Customers (retailers) and in turn, on their end-use customers. The original market design contemplated Supplementary Reserve Capacity as being a very rare event. Synergy therefore strongly supports the review of Supplementary Reserve Capacity each year, following any call for Supplementary Reserve Capacity, which assesses the appropriateness of the Supplementary Reserve Capacity mechanism and seeks to make improvements for any future application of Supplementary Reserve Capacity.

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.

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.

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.