
Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2008_35 Capacity Refund Mechanism – New Generators

Submitted by

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Submission

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

On 14 November 2008 Griffin Energy submitted a Rule Change Proposal regarding changes to clause 4.26 of the Wholesale Electricity Market Rules (Market Rules). Resulting from the working group discussions, Synergy cannot show that the proposed rule change improves market outcomes as expressed by the market objectives. Any potential improvement would be at best marginal and some may be negative. On balance the proposed rule change does not appear to promote the market rule objectives.

Synergy would have supported the proposed rule change if it could be shown that it promotes lower generation costs. Our conclusions resulting from the workshop discussion is that this is not the case for any type of generation technology or technology size. Synergy considers that these facilities would have sufficient incentive to arrive for purposes of supplying contracted load in the case of base load and mid merit facilities and to retain the capacity credit cash flow stream for peaking facilities. Synergy sees the incentive inherent in the current rule as it applies to summer refunds applying to facilities already expected to arrive late by encouraging them to minimize that lateness. Unfortunately the proposed rule change may reduce this incentive for already late facilities by capping their refund exposure.

Synergy is also concerned that by reducing the incentive for facilities to arrive as expected potentially exposes the market to the possibility of creating SRC costs for market participants by either causing a SCR or by requiring System Management to exercise SRC capacity.

Synergy is of the view as expressed by the working group, that by making a further rule change shortly after completing an extensive consultation process on refund allocation, which gained broad market participant approval, potentially reduces confidence external observers would have of the rule change process. Synergy is concerned particularly that potential facility investors would not perceive this rule change as an improvement, but as a sign of market governance instability.

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

As a result of the answers provided by the working group on this proposed rule change on the market objectives, the overwhelming response was that it was unclear whether it would promote or deteriorate the market. If any impact then this impact would be marginal and potentially negative.

Based upon comment related to negative external perception resulting from changing rules shortly after a major review, should be sufficient grounds for not accepting this proposed rule change.

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.

No implications expected from application of this rule change at this time.

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

Zero time.
