
RC_2013_20: Changes to the Reserve Capacity Price and the Dynamic Reserve Capacity Refund regime

Submitted by

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Submission

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

Community Electricity supports the Rule Change Proposal per the following.

RCP Formula

The revised formula is necessary in order to discourage new investment in capacity at times of over-capacity and improve the investment incentives when there is no excess. This latter aspect is of particular importance, as we consider that there is little evidence that the current investment incentive is of itself effective, with most investment having been in response to other factors.

Dynamic Refund Factors

Noting that the generator portfolio as a whole is responsible for servicing the requirements of Market Customers and that non-availability of a unit places more burden on the available units, it is efficient for refunds to apply during times of 'stress' – whenever they may occur - and not otherwise. This motivates generators to be available when needed, whether predictable or not, and provides compensation according to the additional risk born. It also avoids exposing generators to costs where there is no commensurate benefit to the market.

Recycled Refunds

Capacity Refunds are more efficiently 'recycled' to other generators rather than to Market Customers as at present. In particular, Market Customers receive sufficient capacity credits regardless of generator performance and where a generator defaults on its availability obligations, other generators bear the impact of that default in the form of increased probability of dispatch - and thereby, increased exposure to refunds. We consider that Market Customers will still be 'compensated' via the recycling-eligibility provision, in that energy

prices are likely to be lower via the extra incentive for a generator to be online. That said, while we recognise the 'compromise' between optimising availability of capacity versus availability of energy, we would prefer that in respect of an interval, refunds be recycled among generators that are actually on line rather than generators that have run in the previous month. We consider that this would further incentivise the availability of lower cost energy.

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

Community considers that all aspects of the Rule Changes are consistent with all the Market Objectives and that Market Objectives a (efficiency, reliability) and d (minimise cost of production) are especially promoted.

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

The proposal has no implications for Community.

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

Not applicable