

Wholesale Electricity Market Rule Change Proposal Submission

RC_2018_03

Capacity Credit Allocation Methodology for Intermittent Generators

Submitted by

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Date submitted:	20-04-2018

Submissions on Rule Change Proposals can be sent by:

Email to: rcp.secretariat@rcpwa.com.au

Post to: Rule Change Panel
Attn: Executive Officer
C/o Economic Regulation Authority
PO Box 8469
PERTH BC WA 6849

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

The original process of setting the capacity credit allocation methodology for intermittent generation was a very long and arduous affair, resulting in an overly complex methodology characterized by ineffective pricing principles. It is my view that, in lieu of the significant changes to the capacity mix expected in the coming years (specifically the addition of behind-the-meter solar and storage, as well as large utility wind and solar facilities), the capacity credit allocation methodology for intermittent generators should be reviewed as part of a broader review of the adequacy of the reserve capacity mechanism (RCM) itself. It is acknowledged that:

- 1. The ERA is scheduled to review the Relevant Level methodology shortly; and*
- 2. There is no current plan to review the broader adequacy or efficiency of the RCM.*

Load for Scheduled Generation (LSG) is one of the more contentious aspects of the current allocation methodology – and the one identified by Collgar for removal. Notwithstanding the additional complexity LSG adds to the methodology (for arguable benefit), the fact that investment in intermittent generation is impacted by the changing generation mix over time (due to the reliance on LSG) is a poor signal to send potential investors and an

unmanageable volatility for existing assets. All things being equal, the methodology and the market in general should benefit from its removal.

Collgar has provided a relatively simple rule change proposal to remove LSG and replace it with the more intuitive and less intrusive peak demand measure. To the extent that this change is simple and cost effective to implement, the proposal is supported. This is to be balanced against the likely timeframes expected for the ERA to complete its review of the Relevant Level.

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

Market objectives (a) through (d) will likely be enhanced by the removal of the concept of LSG from the Market Rules. Market Objective (e) is unlikely to be impacted.

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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.**

NA

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

NA
