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Ms Sara O'Connor
Economic Regulation Authority
PO Box 8469
Perth BC, WA 6849

via email: publicsubmissions@erawa.com.au

Dear Ms O'Connor

RELEVANT LEVEL METHOD REVIEW 2018

Thank you for the opportunity to provide feedback on proposed reforms to the relevant level method, as outlined in the draft report, *Relevant Level Method review 2018: Capacity Valuation for Intermittent Generation*.

Synergy supports the intent of reforming the relevant level method to more accurately accredit intermittent generators based on their contribution to system adequacy in the SWIS.

However, it is important that any changes to the method provide benefits, do not cause unintended consequences and support the Wholesale Electricity Market Objectives, without unnecessarily adding further complexity or administrative burden to the market.

Synergy commends the Economic Regulation Authority for developing the proposed reforms through the lens of international best practice. However, a focus on costs and benefits will be important in ensuring the proposed changes remain fit for purpose as they become more detailed; and also as Western Australia's small and isolated electricity system continues to undergo significant changes as a result of rapid developments in technology, decentralisation of generation sources, and evolving customer participation and expectations in the market.

ERA's proposed relevant level method

Synergy recognises the shortcomings of the existing method as per the ERA's assessment of its performance against the WEM objectives, its technical issues and its exposure to distortions resulting from increasing levels of intermittent generation. These factors potentially result in the inaccurate allocation of capacity credits to intermittent generators and may increase costs in the long term.

The process undertaken by the ERA has been thorough, noting the benefits and shortcomings of alternative rule of thumb and fully numerical models. In considering a change to the relevant level method, Synergy is supportive of a mechanism that is consistent with those used in reflective jurisdictions; accommodates growing levels of intermittent generation; more accurately assesses the contribution of intermittent generators to system adequacy; and does not present barriers to new technologies such as utility scale storage.

In considering the proposed changes to the relevant level method, Synergy raises the following issues for the ERA's further consideration:

- While the report highlights the proposed method's potential impacts on the total accreditation of intermittent generation, Synergy would welcome further analysis of the potential impact on individual facilities and particular technology types; and how these impacts may vary over time.
- Synergy considers the proposed method may render the accreditation of intermittent generators more sensitive to the entrance and withdrawal of scheduled generation. Synergy would seek more investigation of this sensitivity to ensure that capacity signals are not adversely impacted by the proposed method.
- Further consideration is required to understand and model how the proposed changes to the relevant level method would interact with other significant market reforms including the proposed changes to reserve capacity pricing. Synergy suggests an additional round of consultation and analysis be provided to help market participants understand how these concurrent reforms may impact market outcomes on aggregate.

Responses to the ERA's proposals to address volatility and smooth financial impacts

Synergy supports the intent of the ERA's proposal to accredit intermittent generators based on a 5-year average or median under the proposed relevant method, but would require more detailed analysis of wider sample periods before making a definitive recommendation.

Synergy supports the ERA's proposal that the method is phased in over a 3-year period to smooth financial implications.

Synergy supports the ERA's implementation proposal for the new methodology – that is, for the market rules to guide the structure and objectives of the relevant level method; and for market procedures to specify the finer details and mechanics of the calculations involved in the method.

Should you wish to discuss these matters further, please contact Mr Jason Froud, Manager, Policy, on [REDACTED] or at [REDACTED].

Yours sincerely

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JASON FROUD
MANAGER, POLICY