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Economic Regulation Authority  
PO Box 8649  
PERTH BC WA 6849

Submitted via email: [publicsubmissions@erawa.com.au](mailto:publicsubmissions@erawa.com.au)

## **2020 REVIEW OF INCENTIVES TO IMPROVE THE AVAILABILITY OF GENERATORS**

Alinta Energy appreciates the opportunity to provide feedback on the 2020 Review of incentives to improve the availability of generators.

Alinta Energy notes that the market rules include several direct and indirect measures to incentivise availability, including:

- a combined Forced and Planned outage rate of 20% and a Forced Outage rate of 10% over 36 months, allowing AEMO to assign Certified Reserve Capacity between zero and full allocation;
- a 17.5 percent annual equivalent Planned Outage rate (trading intervals at 8400 over 1000 Trading Days) as refund exempt Planned Outages;
- granting AEMO discretion to require a performance report and performance improvement report(s) from a scheduled generator with planned outage rates exceeding 1750 hours in preceding 12 calendar months regardless of total system capacity availability; and
- recycling refunds to generators based on dispatch.

When reviewing the current availability incentives, it is important to:

- consider the natural, and very strong, incentives to be available in a predominantly bilateral contract market;
- recognise that the availability of a generation facility varies greatly depending on the type of fuel, the design of the facility, how the facility is operated/dispatched, and the stage of its lifecycle that the facility is at;
- ensure that the regime does not have the perverse impact of generators not undertaking non-mandatory preventative and/or corrective maintenance, which may lead to higher forced outages (and therefore unreliability) in the future - noting that a facility tripping in service or an unplanned event is the most costly event to the market. Planned outages, when taken at the appropriate time, are almost benign; and
- ensure that they do not place undue regulatory risk and undue regulatory burden on participants which will simply lead to higher costs for Market Generators, and ultimately be passed onto end users.

Alinta Sales Pty Ltd ABN 92 089 531 984

PO Box 8348, Perth BC, WA 6849

**T** +61 8 9486 3170 **F** +61 8 9266 4688 **W** [alintaenergy.com.au](http://alintaenergy.com.au)

### **Off-market incentives**

There are off-market incentives for the availability of generators with higher fixed costs than the theoretical 160MW Open Cycle Gas Turbine used to determine the Benchmark Reserve Capacity Price (i.e. base load and some mid-merit plants). These facilities will not receive sufficient compensation from the capacity market alone and so need to provide energy in order to cover their fixed costs. While removal of these facilities from the market due to planned outages may potentially increase the energy market price (as these facilities provide low cost energy) it is likely that they will have bilateral contracts in place which they would need to purchase energy to cover if they are on extended outages. Purchasing energy at a potentially higher cost than the generator could produce the energy at provides a strong commercial incentive to ensure these facilities are available and providing energy.

Adequate consideration of these off-market incentives for availability will need to be considered when assessing the broader efficacy and usefulness of the regime.

### **Avoiding perverse impacts**

Imposing a further limitation on the level of Planned Outages by reducing the refund exempt planned outage count may be detrimental to reliability standards in the SWIS.

This is because some facilities may seek to reduce current levels of maintenance in order to make sure they do not breach the Planned Outage cap (and suffer financial penalties) which will likely be an impact on the reliability of facilities on the SWIS. Likewise, there will be less opportunity for facilities to undertake upgrades that may in fact improve their overall performance.

### **Ensure technology neutrality**

Alinta Energy notes that the impact from the refund exempt planned outage count on various facilities will vary greatly on the type of fuel a facility uses, the design of a facility, how a facility is operated/dispatched, and the stage of its lifecycle that a facility is at.

As such, Alinta Energy considers that the threshold needs to set at an appropriate level to cover all these circumstances and to ensure that no technology type is discriminated against.

Alinta Energy supports retaining the "one size fits all" approach and considers that the current refund exempt planned outage count is set at the appropriate level to take into account the technology and life stages of the range of facilities in the WEM.

### **Efficacy and usefulness of this mechanism**

On balance, Alinta Energy considers that the current incentives (when taken as a whole) seem appropriate to drive participant behaviour.

However, Alinta questions whether the range of factors AEMO must consider when making a partial certification decision under clause 4.11.1(h) means that applying the rule is largely subjective and difficult to apply appropriately and equitably over time<sup>1</sup>.

Alinta Energy recommends a review of these factors to ensure that AEMO is appropriately empowered to make objective decisions under this regime.

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<sup>1</sup> Which could explain why none of the 4 facilities to have breached this rule have had their certified reserve capacity reduced.

**Determining the availability of the generator fleet in the WEM in line with IEEE Standard 762**

Alinta Energy notes that, while the IEEE Standard 762 is a standard measure in the northern hemisphere, the networks and systems are very different from the SWIS in terms of scale, size, capacity and configuration and caution should be used when making comparisons.

**Conclusion**

Alinta Energy broadly supports retaining the current availability incentives regime as it is, subject to a review of the range of factors AEMO must consider when making a partial certification decision under clause 4.11.1(h).

Thank you for your consideration of Alinta Energy's submission. If you would like to discuss this in more detail, please contact me [jacinda.papps@alintaenergy.com.au](mailto:jacinda.papps@alintaenergy.com.au) or on 0417 065 955.

Yours sincerely,

A solid black rectangular box used to redact the signature of Jacinda Papps.

**Jacinda Papps**

Manager, National Wholesale Regulation