BGC (Australia) Pty Ltd

Electricity Market Review
Response to Position Paper on Reforms to the Reserve Capacity Mechanism

1. Introduction

[redacted]

construction materials with plant that requires power from the local electricity network.

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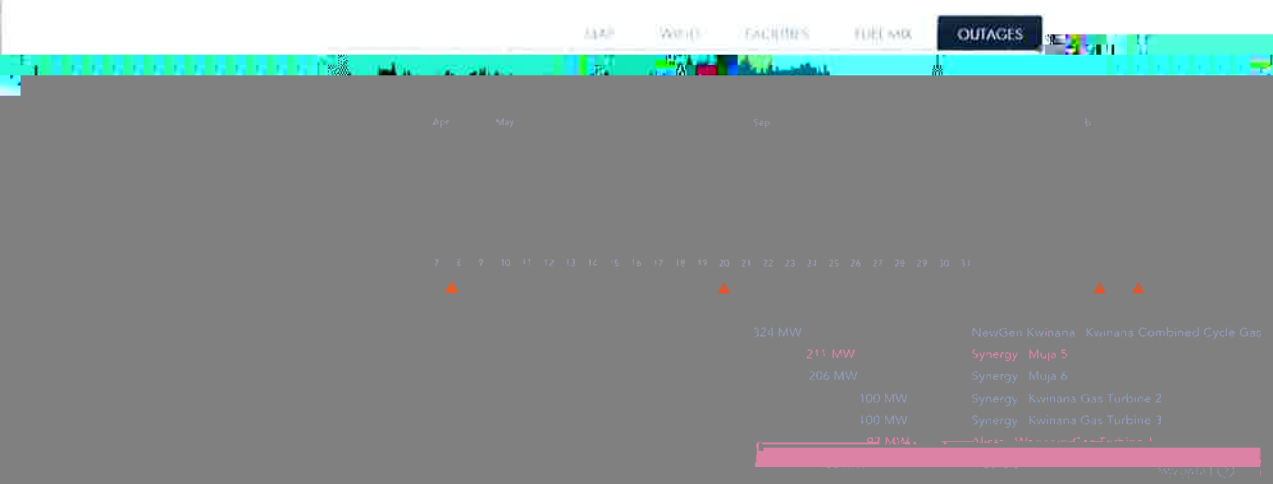


Figure 1. WA generator outages, November 2015.

For business, some excess capacity is a good thing because it serves as an insurance policy against supply shortages

The 'energy-crisis' that stemmed from the Varanus Island explosion of 2008 is burned in our memories. It showed

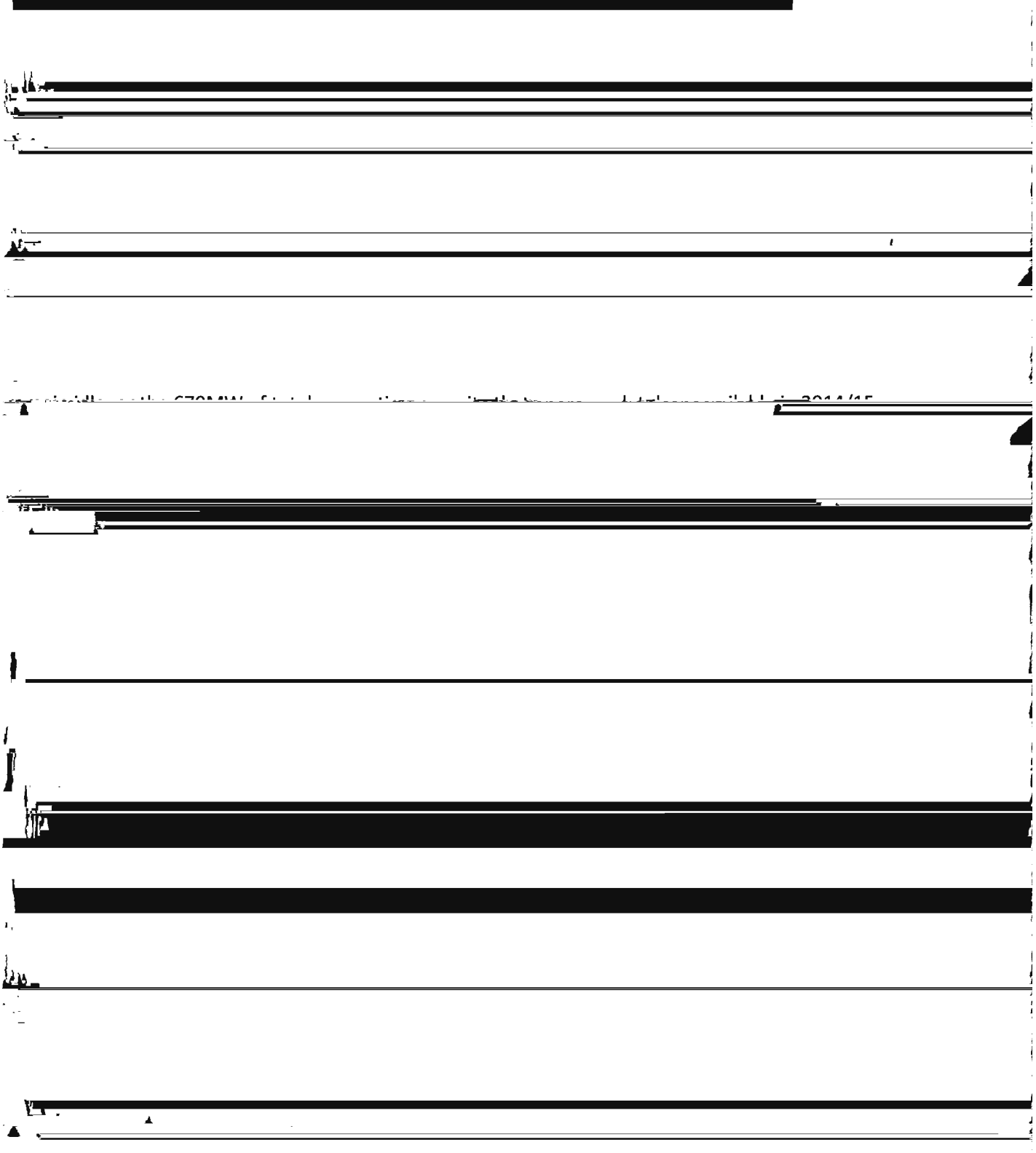
But markets move too. It wasn't even ten years ago when BGC was asked to offer up some of its capacity as 'supplementary reserve' because there was a shortfall of capacity in the market more broadly. This 'excess' was

Given the healthy level of competition that exists in the contestable retail market, it implies that this substantial cost must be incurred in the non-contestable market, by Synergy and its shareholder, the WA Government. This is probably due to Synergy's historical commercial arrangements as it was pulled apart and put back together again

6. Demand Side Management

The Position Paper prioritises the removal of DSM above any other solution to reduce the current excess capacity. It is the only direct solution discussed, apart from hoping the indirect 'n-5' price curve and modest tweaks to the refund regime will encourage retirement of existing capacity.

The paper is silent on dealing with excess capacity from the significant growth in peaking generators that mostly



[redacted]

This is an area that needs to be fixed. The market levies capacity charges on the *Individual Reserve Capacity Requirement* when the electricity grid is at its yearly peak but sets the baseline for demand side capacity with a [redacted]

[redacted]

value when the grid is peaking and it has created some perverse outcomes for both BGC and the market over the years. For example our cement plant in Kwinana (Fig 2).

[redacted]

Table1. Relevant Demand intervals fall often fall in periods where business is shutdown & residential loads are high.

Capacity_ Year	Effective Date	RD_ Day_1	RD_ Start_1	RD_ End_1	RD_ Day_2	RD_ Start_2	RD_ End_2	RD_ Day_3	RD_ Start_3	RD_ End_3	RD_ Day_4	RD_ Start_4	RD_ End_4
2009/10	1-Oct-09		14:00	17:30	16/Jan/09	12:00	15:30	02/Feb/09	12:30	16:00	10/Mar/09	13:00	16:30
2010/11	1-Oct-10	21/Dec/09	13:30	17:00	(Fri) 18/Jan/10	13:30	17:00	(Mon) 25/Feb/10	14:00	17:30	(Tue) 12/Mar/10	13:30	17:00
2011/12	1-Oct-11	(Mon)			(Mon)			(Thu)			(Fri)		
2012/13	1-Oct-12				(Fri)			(Fri)					
2013/14	1-Oct-13							(Wed)					

Typical business shutdown periods

Day adjacent to public holiday

7.4 Treating DSM like a Generator

Unlike generators, DSM does useful things when it is not being used like contributing to the State's GDP. It should not be treated like a generator because it is not a generator. The proposal to dispatch it in "near real time" would not work for a large part of this resource. Time is required to wind certain plant down and schedule the re-allocation of employees to other useful purposes. You could potentially segment some loads like crushers to "near real time", but given the sophistication of the tools that can see grid peaks coming, it would be more sensible to fully utilise the resource with a few hours lead time as it does presently. The proposed earliest start and latest finish times would easily be accommodated.

The proposal to dispatch DSM for 200 hours a year is not