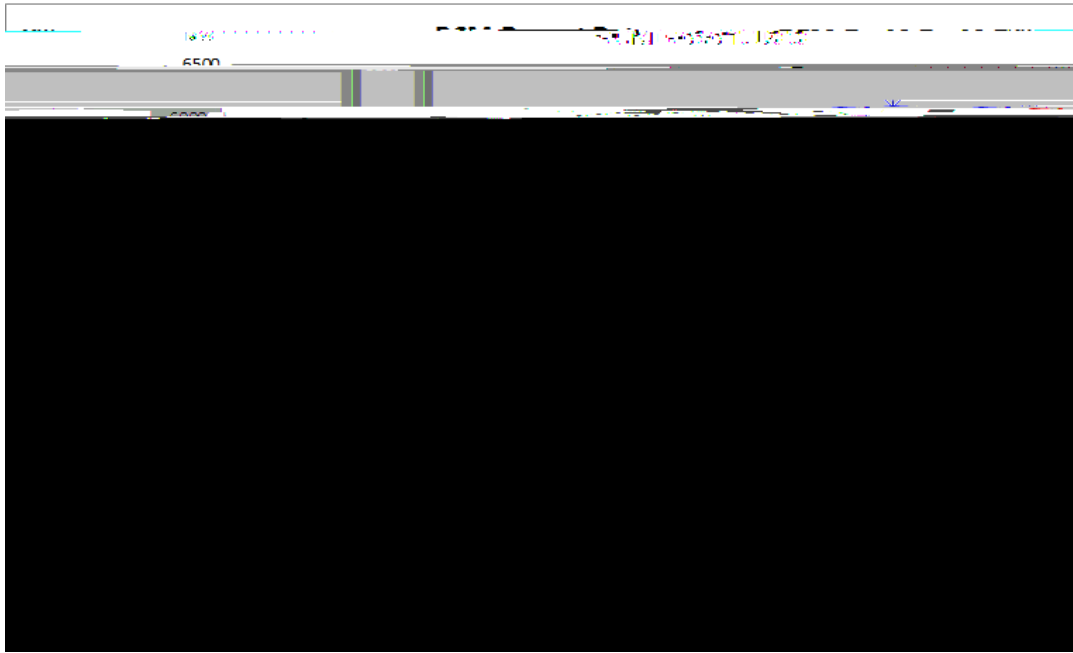


Perth Airport Ptd Ltd | Response to Position Paper on Reforms to the Reserve Capacity Mechanism

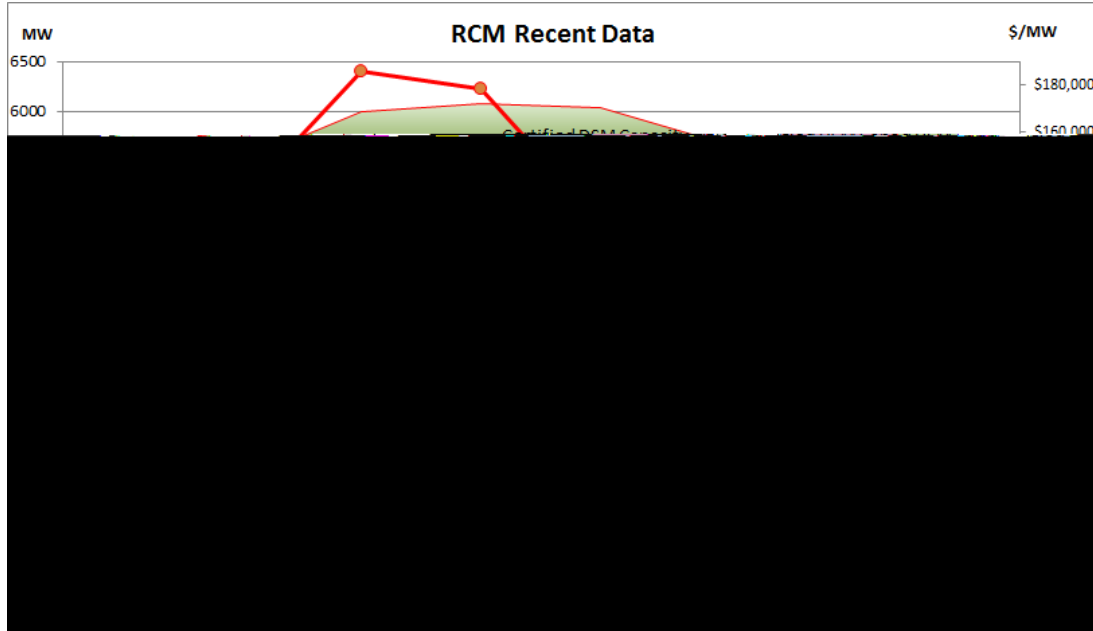
Perth Airport Pty Ltd (PAPL) is a major commercial consumer of electricity and gas in Western Australia. PAPL has a peak electrical demand exceeding 25MW, supplying its airport terminals and a large number of commercial premises on its site.

PAPL makes this submission in response to the Position Paper, to assist the Public Utilities Office in its consideration of improvements to the mechanism for the provision of reserve capacity in the SWIS.

Capacity charges currently represent approximately 25% of PAPL's total electricity cost. In our experience retailers treat these as quasi-regulated charges being a pass through of IMO reserve capacity pricing. Whilst PAPL has welcomed recent falls in capacity charges from the high levels of 2012/13



The Position Paper comments (p6) on the large amount of Demand Side Management (DSM) capacity that has been encouraged into the market (560MW was certified in 2016/17) and the reasons for this. Whilst DSM does provide some customers with the opportunity to reduce capacity charges, our view is that the current level of DSM delivers no real value in the SWIS meeting its target reliability in the current circumstances. We find it difficult to believe that any customer DSM response will be required with the current level of excess capacity supply. This would also appear to be a major selling point for DSM providers.



DSM was encouraged by the excessive targets and prices in 2012/13 and 2013/14 RC years with the result that certified DSM capacity grew more than 110% over these two years. The fact that certified DSM has continued to grow some 10% over the following three year period 2013/14 to 2016/17 despite a 32% fall in RC price and a 14% fall in the RC target, is evidence in our view that DSM is a different capacity service with vastly different supply cost drivers to installed generation capacity.

We concur that DSM is a major contributor to the current RCM excess and this needs to be corrected and we support the Position Paper in this regard (at least during the Interim period). Our position is that DSM should be removed from the reserve capacity mechanism as a supply resource. We believe that

