



# Energy Price Limits Discussion Paper

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## REPORT DETAILS

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## DISCLAIMER

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MAC has constituted this Working Group to consider various issues raised in the 2007 Annual Review of Energy Price Limits. The purpose of this document is to set out the background as a starting point for the Working Group deliberation.

MAC has included the following issues in the Terms of Reference:

- Consider the recommended amendments to the methodology regarding heat rates and startup costs.
- Assess the recommendation to remove the Maximum Shutdown Price.
- Assess the need for changing or providing more flexibility regarding the frequency of the Energy Price Limits reviews.
- Consider, as necessary, issues raised in submissions made by Participants in response to the IMO's Draft Report.

**Heat Rates**

Clause 6.20.7(b)iii requires the use of the average heat rate of a 40 MW open cycle gas turbine generating station at minimum and maximum capacities in the determination of the Maximum STEM Price and the Alternative Maximum STEM Price. In the 2007 Annual Energy Price Limits Review MMA investigated the time weighted average loading of generators which could be reference for setting

The following considerations could be relevant:

- Clause 6.20.7(a) is open on what is meant by the highest cost generating works. For example the highest cost generating works could conceivably be a high capital cost generator and its short run marginal cost could be low. The generating works may not even be an open cycle gas turbine.
- Adopting smallest and perhaps least efficient unit in SWIS could, in the Reserve Capacity and Energy market design, discourage retirement of such units. These units, being existing plants, could take up space which could otherwise be taken by newer and more efficient plants.

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