

Reserve Capacity Mechanism Working Group Minutes

Meeting No.	10
Location:	IMO Boardroom Level 17, 197 St Georges Terrace, Perth
Date:	Thursday 28 February 2013
Time:	Commencing at 2.05pm – 3.50pm

Attendees	Class	Comment
Allan Dawson	Chair	
Kate Ryan	IMO (replacing Suzanne Frame)	
Brad Huppatz	Market Generator (Verve Energy)	
Ben Tan		

that the Reserve Capacity Price would be 85% of the Maximum Reserve Capacity Price (MRCP) under the current mechanism if there was a shortfall of capacity and no auction was held. In response, Mr Sutherland noted that it seemed unlikely that anyone would offer capacity into the auction. It was further discussed that the Supplementary Reserve Capacity process would be held to procure enough capacity to meet the Reserve Capacity Requirement.

Mr Sutherland also queried if the uplift for the proposed Reserve Capacity Price (RCP) regime of 110% would be a strong enough incentive for encouraging bilateral contracts in the market. Mr Geoff Gaston noted that the curve did not provide an adequate incentive for bilateral contracting from both a retailer's and a generator's perspective. Discussion ensued on the nature of bilateral contracting that could be expected in excess and shortfall capacity situations and whether the curve should start at

support the minimum refund factor of 1 but would support a value that could be affected by either an availability factor or capacity factor determined in relation to a recent time period, the intrinsic value of the assets and their availability or performance. A generating plant that was late to arrive into the market would have

a higher number needed to be incorporated into the model. Ms Wendy Ng questioned if a floor was considered to be included in the model. The Chair responded that it had been discussed in previous meetings but the final proposal did not include a floor price.

Dr Steve Gould sought clarification on what constituted as eligible available capacity. The Chair clarified that this was all capacity that was made available in the Balancing Merit Order, and would exclude DSM and Intermittent Generation (i.e., capacity that has a Reserve Capacity Obligation Quantity- RCOQ of zero).

Members sought clarification on how the transitional arrangements would work. The Chair clarified that this proposal would appear to qualify for the transitional arrangement policy. He added that the dynamic refunds regime would commence but the recycling of refunds would be transitioned over a three year period.

Mr Stevens questioned if there had been any confirmation on the conditions when DSM would be dispatched. He asked for more clarity on what would be the level of reserve margin in a Trading