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**Wholesale Electricity Market  
Rule Change Submission Form**

**RC\_2013\_10 Harmonisation of Supply-Side and Demand-Side  
Capacity Resources**

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**Submitted by**

<b>Name:</b>   Fiona Edmonds
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To consider those issues raised, and recommendation



- Revise the DSM availability requirements, including allowing unlimited dispatch events per year, decreasing the minimum notice period for dispatch and ensuring DSM is available for an unlimited number of hour each year;
- Require all DSP's to provide a telemetry service providing real time information on availability and performance;
- Removing the “third-day rule” – whereby a DSP dispatched for a third continuous day is not subject to capacity refunds;
- Enabling dispatch of DSP's outside of their nominated availability limitations on a best efforts basis; and
- Amend the operation of the Non-Balancing Dispatch Merit Order to be based on time since last dispatch.

It is important to note that the RCMWG was not in unanimous agreement on these proposed changes.

### ***Proposed changes***

The IMO proposes a suite of changes to implement the key proposals outlined above with respect to harmonising DSM with generation capacity and to relax the current fuel requirements for Scheduled Generators.

### ***Alinta's views***

Alinta supports the proposed changes as representin



- Ensure that the risk of non-supply during peak periods is placed on the appropriate party to mitigate the risk (i.e. the generator); and
- Removes an existing unnecessary regulatory interference in the market design.

Alinta notes the IMO's assessment that there are sufficient commercial incentives in place to ensure generators secure sufficient fuel supply. However if any facilities fail to perform during peak events because they have failed to secure fuel then it would be appropriate for the IMO to take this into account during subsequent capacity certification processes. This would ensure participant's behaviours remain in line with the intention of the capacity mechanism – that is to provide sufficient reliable capacity to meet the WEM's peak requirements (including a reserve margin).

### Issue 2 - Harmonisation of DSM

Alinta is generally supportive of the IMO's proposal to harmonise the treatment of DSM with generation resources, but any changes to the Reserve Capacity Mechanism should be postponed and considered as part of the wider review of the WEM.

With respect to the IMO's proposal to amend clause 4.26.2CA to restrict a DSP from selling more capacity than it buys through IRCR, while supportive of the general concept, Alinta does not support the IMO artificially inflating the IRCR values by the amount of the relevant NTDL and TDL multipliers (refer to the proposed new step 11 of Appendix 5). Clarification of the rationale for taking into account the multiple





These broader issues associated with DSM need to be considered more holistically as part of the broader WEM Review that is currently underway. The current approach of treating DSM the same as generation capacity fails to consider the significant differences in the cost structures of DSM vs. traditional generation and results in DSM's true value to the market not being realised by failing to incentivise the right behaviour. For example there are significant incentives for DSM to sit at the top of the merit order and never be called given they receive substantive capacity payments compared to their fixed costs. If DSM were to receive a higher energy payment and lower capacity payment very different behaviour to that currently incentivised under the RCM would likely result. DSM would want to be dispatched at during peak periods in order to receive high energy payments, whereas currently DSM is best off if they are not dispatched (particularly given the high opportunity cost of some Associated Loads). Shifting DSM to be a predominantly energy based product would potentially change the nature of the loads that are associated with a DSP by encouraging those loads that actively want to be dispatched in high energy cost periods and removing those loads that are