



Wholesale Electricity Market Rule Change Submission Form

RC_2013_09 Incentives to Improve Availability of Scheduled Generators

Submitted by

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Submission

- 1. Please provide your views on the proposal, including any objections or suggested revisions.**

Background

Since 2006 when the Wholesale Electricity Market (WEM) commenced operation, a number of Scheduled Generators have had relatively high levels of Planned Outages (for which there is no requirement to refund Capacity Credit income) compared to international standards.

Concerns with the low availability of Scheduled Generators have been raised by the Economic Regulation Authority (ERA) and the Independent Market Operator (IMO). In particular, the ERA stated the following in its most recent report to the Minister on the effectiveness of the market:

“The Authority is concerned with the high rates of planned outage that have been observed for some Verve Energy plant over consecutive years. These generators received full capacity payments under the current market arrangements, whilst being



- Poor value for money;
- Inefficiency with respect to market pricing outcomes;
- Higher risk to the system;
- Inequity within facility class;
- Retention of inefficient and unreliable generating plant;
- Misleading capacity supply signals.

These impacts are considered to be inconsistent with the Wholesale Market Objectives of economically efficient, safe and reliable supply of electricity (a), encouraging competition (b), and minimising the long-term cost of electricity to customers (d).

Rule Change Proposal

It has been suggested that the low levels of availability of some plant is reflective of inadequate incentives existing in the current Market Rules for Market Participants to maximise the availability of their Scheduled Generators. The IMO subsequently proposed the following changes to the Market Rules to address the issue:

- Enable the IMO more flexibility in assigning a red



- The IMO appears to be incorrectly assuming that having available capacity is the same as having reliable capacity;
- There are likely to be off-market incentives for the availability of mid-merit and baseload generators that need to be appropriately considered; and
- The proposed amendments place an unnecessary regulatory burden on all Scheduled Generators, adding to the costs of operating in the market.

Alinta did however acknowledge that there could be further refinements made to the existing mechanisms under the rules for addressing high rates of unavailability of facilities. On this basis our views on the specific changes proposed by the IMO were as follows:

- Supported the IMO's changes to enable greater flexibility when assigning CRC;
- Did not support the proposed introduction of a cap on Planned Outages and tightening the combined outage rate; and
- Did not support the proposed changes to the IMO's powers under clause 4.27

Specific details of Alinta's views are outlined in its 27 August 2013 submission available on the IMO's public website.

Draft Rule Change Report

In its Draft Rule Change Report the IMO made a number of amendments to the proposed Amending Rules, including:

- Refining the methodology used to impose a cap on refund exempt Planned Outages;
- Amending the cap on refund exempt Planned Outages from 14.8% (averaged over 36 months) to 17.5% (averaged over 1000 Trading Days). This range is consistent with the suggestions of Verve Energy¹ and Bluewaters.
- Removal of clause 4.27.9 (and related provisions) in response to concerns from Alinta and Verve Energy with respect to the regulat



