

Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2010_06 Application of Spinning Reserve to Aggregated Facilities

Submitted by

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Date submitted:	15 June 2010

Submission

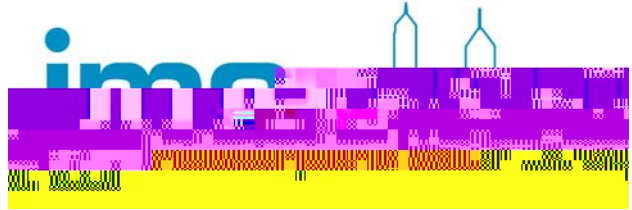
1. Please provide your views on the proposal, including any objections or suggested revisions.

Background

Currently, the Market Rules allocate the costs of providing the ancillary service of spinning reserve to all generators. The largest generators on the system are allocated a larger share of the cost, on a per MW basis, compared to smaller generators. This methodology applies at the Facility level. Therefore, a Facility that consists of two or more aggregated units is likely to be subject to a higher per MW allocation of spinning reserve costs than would be the case if the units were registered as separate Facilities.

Change Proposal

Griffin Energy has proposed to change the Market Rules to ensure that the cost of spinning reserve provision is allocated across generators based on the size of the individual generation units within each Market Participant's portfolio. Specifically, Griffin Energy proposes that for the purpose of calculating the spinning reserve cost allocation, aggregated Facilities should be treated as if each of the units making up the aggregated Facility were registered as separate, stand alone Facilities.



Perth Energy's Views

Perth Energy supports Griffin Energy's rule change proposal. In assessing how much spinning reserve to provide for the system it has been the norm to ensure that there is sufficient reserve in place to cover the sudden loss of the largest generation unit synchronised to the system at any point. This measure has traditionally been linked to the single 330MW generation unit at Verve Energy's Collie Power Station. To minimise the costs to the system of holding spinning reserve the Collie unit has traditionally not been run at maximum load at times of low load on the system.

Unless there is critical common infrastructure in place which would cause all units of a multi-unit power station to fail at the same time, Perth Energy considers it would be most efficient for the market to plan spinning reserve requirements around the size of individual units, rather than the size of aggregated Facilities, where those Facilities consist of two or more stand alone, independent generation units. If spinning reserve is planned for and provided for on this basis it would also be most equitable to reflect this principle in allocating the cost of spinning reserve and implement Griffin Energy's proposed change to the Market Rules.

Perth Energy notes that a causer pays principle is used to allocate generator spinning reserve costs. The various levels of spinning reserve costs are meant to roughly approximate the increased cost burdens that an increase in the MW size of the generator imposes on the system. Under these arrangements, the larger the generating unit, the greater the spinning reserve paid. However, we also note that generation units smaller than 10MW are currently exempt from funding spinning reserve costs. We have concerns that this is not equitable within the market and does not reflect the overarching principle of causer pays. With the increasing uptake of distributed generation and other small scale generation

