

Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2010_25 and RC_2010_37: Calculation of the Capacity Value of Intermittent Generation

Submitted by

Name:	Ken McAlpine
Phone:	(03) 8698 7300
Fax:	(03) 9645 0111
Email:	kenmc@vestas.com
Organisation:	Vestas Wind Systems A/S
Address:	Level 4, 312 St Kilda Road, Melbourne 3004
Date submitted:	21 October 2011

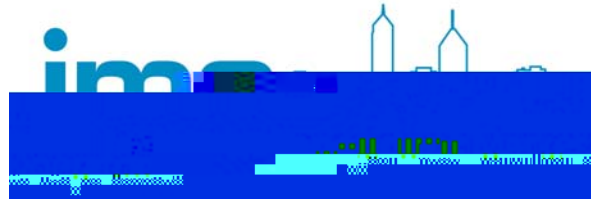
Submission

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

Vestas welcomes the opportunity to make a further submission in response to the significantly amended Rule Change 25 of 2010, as well as confirm its support for RC 37 of 2010.

Vestas was opposed to the original RC 25 and supportive of RC 37. Our opposition to RC 25 remains, as does our support of RC 37. We have outlined the reasons for our support of RC 37 in our initial submission, so will spend most of this submission responding to the August 2011 changes to RC 25 and explaining why we cannot support this revised option.

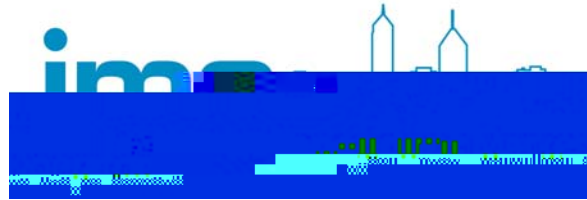
As noted previously, both Rule Changes arose as a result of the work of the IMO's Renewable Energy Generation Working Group (REGWG), which spent much of 2010 considering how best to revise the incentives for renewable energy generation under the



Importantly, it was found that wind energy generators in WA had an excellent track record of generating electricity at the times when it was most needed – during the morning and evening peaks.

Following adverse feedback from private sector investors on RC 25, the IMO Board subsequently appointed an additional consultant, Sapere Research Group (Sapere) to examine both RC 25 and RC 37. As it turned out, Sapere found that both RC 25 and RC 37 would facilitate the achievement of the Market Objectives.

However, Sapere also provided advice to the IMO Board that RC 25 should be revised to



Finally, the exclusion of the Collgar data from the Sapere methodology (and consequently for the purposes of the revised RC 25) is inappropriate.

Collgar is not just a big wind farm – it is a big wind farm in an area of the SWIS with no other wind farms. Collgar’s scale, together with its geographic location, means that the exclusion of its data from the RC 25 process is a significant oversight and should be corrected.

The IMO should consult further with Collgar to ensure that this data is considered if RC 25 is to be implemented in any form.

As noted in its original submission on this topic, Vestas understands the importance that the IMO, OOE and System Management places on the issue of security of supply. However, Vestas strongly disagrees that the RCM is the best measure to achieve this. Rather than damage the business case for renewable energy investors in WA by implementing RC 25, the goal of security of supply could be better met, for example, by revising WA’s system reserve margins or investing in wind forecasting software as has been done by the Australian Energy Market Operator (AEMO) with significant success.

2. Please provide an assessment whether the change will better facilitate the achievement of the Market Objectives.

Vestas has previously provided commentary regarding the ways in which RC 37 facilitates the Market Objectives, in most if not all cases far better than RC 25 would do. Below are further comments on the impact of the revised RC 25 on each of the objectives.

a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;

Due to the use of the “U-factor” and the LSG methodology with just 12 peak trading intervals considered, it is difficult to see how the revised RC 25 could assist with meeting the above objective.

RC 25 ignores strong evidence that WA’s intermittent resources in fact have a very good correlation with system peak demand. For example, WA’s best wind periods occur during summer mornings (easterly) and afternoons (sea breeze). These findings from studies done for the IMO by MMA and Senergy Econnect appear to have been ignored.

On the question of *economically efficient supply* of electricity, RC 25 is unquestionably poor. It reduces the capacity payments to intermittent generators from the status quo in the RCM. This in turn discourages new investments in renewable energy generation in the SWIS and improves the relative prospects of renewable energy projects in the National Electricity Market (NEM).

As explained in the original Vestas submission on RC 25 and 37, this in turn raises costs for Synergy. This in turn leads to a less economically efficient supply of electricity to WA consumers and businesses, who will face price rises if these additional costs to Synergy’s business are passed through to them.

