





Intermittent renewable technologies, including wind farms, present particular challenges when it comes to planning and operating power systems. The intermittency of the output in particular leads to an increased reliance on







intermittent generation projects and most likely increase the cost of obtaining such funding. This risk could spill over to dispatchable generation projects although this is an unknown.

While acknowledging the regulatory risk, Perth Energy considers it more imperative that the WEM is developed to accommodate an increased proportion of renewable whilst maintaining the principles of economic efficiency and system security. This dual objective cannot be achieved without true cost reflection.

If system security and economic efficiency dictate that Market Rules be improved then there is no alternative but to support the IMO in this endeavour. This is the more important if the market has to provide feedback through correct pricing signals to policy makers and consumers to ensure rigorous scrutiny of the potential impact of Government policy. If renewable energy generation is to be increased to address a public policy objective, the cost benefit of such increases must be transparent for consumers and taxpayers to determine their support for such policy. The longer the market is prevented from sending back correct pricing signals the higher the risk of a market implosion along the line of unsustainable retail price caps that caused the collapse of the Californian electricity market in 2000.

For this reason, Perth Energy would be inclined to support the IMO approach and its implementation as early as practicable.

With regard the economic impact on existing intermittent plants, there may be a case to be



the benefits of some limited form of grandfathering in this instance would be justifiable and would outweigh any regulatory costs.

On the practical side of contractual commitment, Perth Energy's experience is that suppliers do tend to have in their power supply agreements clauses covering changes in law and in this case changes in Market Rules. It would be reasonable to assume that intermittent generators would have covered themselves with such clauses. At the end of the day, all extraneous costs of public policy encouraging renewable supplies must be borne by end consumers. This is the foundation of the user pay principle.

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

Perth Energy considers the most significant impacts of both proposals to be on Market Objectives (a) and (d).

Reducing the number of capacity credits awarded to intermittent facilities (which is a result of both proposals) should have a positive impact on the facilitation of Market Objective (a) as it would increase system security and improve economic efficiency. However, the validity of this depends on the analysis underpinning System Management's view that no more than a 20% capacity factor should be awarded to intermittent facilities. Perth Energy assumes that the IMO is satisfied with System Management's background analysis and finding.

The regulatory/sovereign risk issue has the potential to negatively impact on the facilitation of Market Objective (d) as the long term cost of providing electricity will increase with increased perception of sovereign risk along with an increase in the cost of obtaining funding for new projects. However, this risk is not assessable and is swamped by the risk associated with the absence of correct pricing signals associated with the true cost of entry of intermittent generators.

**3. Please indicate if the proposed change will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.**

Perth Energy sees no problems in this regard.

**4. Please indicate the time required for your organisation to implement the change, should it be accepted as proposed.**



Perth Energy does not require any lead time to implement either of the changes.