

Synergy considers that the whole of the Capacity Credit cycle needs to be taken into account to ensure that capacity providers are paid a price for the capacity available that reflects the value that capacity provides to the system. Synergy does not consider Collgar's proposal achieves this objective.

Synergy is of a view that capacity accreditation for a non-reliable resource like a wind farm should not be based solely on that facility's ability to meet peak demand without also considering the other unique ways that the capacity for Non-Scheduled Generators is treated (e.g. testing and refunds) in the RCM.

Synergy cannot agree that the current methodology is overly conservative given that Non-Scheduled Generators receive certain concessions under the RCM. The current Relevant Level Methodology represents a balanced approach between assigning Capacity Credits to Non-Scheduled Generators that reflect the ability of those Facilities to meet demand and the inability of those Facilities to reliably provide capacity when needed. The use of the LSG in the current Relevant Level Methodology ensures a value reflective price is paid for Non-Scheduled Generators' capacity by moving the risk of paying refunds for non-delivery to the time of certification rather than requiring real time refunds, as well as removing the risk of having capacity credits reduced as a result of a failed reserve capacity test.¹

Synergy also believes that the use of the LSG Trading Intervals in the Relevant Level Methodology supports the main objective of the RCM, which is to ensure that sufficient capacity is available in the South West Interconnected System (**SWIS**) during periods of peak demand to meet reliability targets, so the calculation should remain as is.

2. Synergy does not believe that the proposal promotes economic efficiency in the Wholesale Electricity Market (**WEM**).

Synergy is concerned that, given the current Relevant Level Methodology efficiently assigns Capacity Credits to Non-Scheduled Generators where the "value" of those Capacity Credits is highest, Collgar's proposed change would promote economically inefficient capacity assignment to Non-Scheduled Generators².

Synergy notes that the proposed rule change would, on a simplistic view, reduce the total capacity cost in the SWIS, at least for the short term, and that higher Capacity Credits for renewable generators could increase the value of market generators' renewable assets. However, Synergy considers these effects are largely artificial because they would be achieved by artificially increasing the number of Capacity Credits available when there has not actually been an increase in the overall capacity.

which would consequently increase long term costs, and cause reliability issues.

3. The proposal does not take into account a number of other commercial implications in the RCM, such as:

The increase in the level of capacity accreditation for renewables will potentially increase the reserve capacity surplus thus putting downward pressure on Reserve Capacity Price. This may result in adverse commercial outcomes for other market participants depending on their relative Individual Reserve Capacity Requirement (**IRCR**) and capacity credit position.

Synergy is of a view that the Proposal will provide a windfall gain to some non-scheduled generators, but it will result in negative impact on the Reserve Capacity Price which wilwab