Wholesale Electricity Market Rule Change Proposal Submission

RC_2019_03
Method used for the assignment of Certified Reserve Capacity to Intermittent Generators

Submitted by

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Date submitted:	19 May 2021

Submissions on Rule Change Proposals can be sent by:

Email to: support@rcpwa.com.au

Post to: Rule Change Panel
Attn: Executive Officer
C/o Economic Regulation Authority
PO Box 8469
PERTH BC WA 6849

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

Synergy welcomes the opportunity to provide feedback in response to the Call for Second Round Submissions on the 'Method used for the assignment of Certified Reserve Capacity (**CRC**) to Intermittent Generators' (RC_2019_03) (**New Proposal**).

The Rule Change Panel's (**RCP**'s) Draft Decision is to accept the Rule Change Proposal in a modified form, proposing material amendments to the Economic Regulation Authority's (**ERA**'s) original proposal presented in the Call for Submissions on RC_2019_03[1] (**ERA Original Proposal**). Further, the intention is to

observations responsible for setting the average capacity factor for individual Facilities for the 2021 RCC.

d. Synergy contends that reliance on such a limited sample size is likely to result in volatile outcomes as high system stress Trading Intervals are liable to drastically change in any given year, leading to entirely different outcomes for all wind farms.

e. This volatility may lead to perverse outcomes that, unless sufficiently

peak system demand and peak LSG for each year of the seven-year historical data. Usage of a mix of peak demand and peak LSG is critical as usage of only peak LSG, in line with the existing RLM, ignores the contribution of intermittent resources in meeting system peak demand and the potential for a misalignment of peak demand and peak LSG Trading Intervals. Synergy further suggests the individual allocation methodology should be reviewed at the next formal RLM review, at which point more time would be available to conduct a comprehensive review.

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

As currently drafted, the Delta Method used in the New Proposal is being driven by the average performance of Intermittent Generators over a very limited number of independent Trading Intervals. This is likely to produce volatile outcomes that will not better facilitate the achievement of the WEM Objectives:

a) **economic efficiency**: benefits in more accurately accrediting Intermittent Generators based on their contribution to system adequacy during high system Trading Intervals are likely to be outweighed by the potential extreme variations in future CRC allocations, which is unlikely to provide a reliable estimate of the average output of Facilities during system stress periods in the future;

b) **encourage competition:** increased uncertainty arising from unstable outcomes is likely to distort investment signals, deterring investment in Intermittent Generators; and

c) **minimise the long-term m investment in**