

WHOLESALE ELECTRICITY MARKET

Submission to Procedure Change Proposal

AEPC_2020_02

Certification of Reserve Capacity

Submitted by	
Name:	Oscar Carlberg
Phone:	0409 501 570
Fax:	
Email:	Oscar.carlberg@alintaenergy.com.au
Organisation:	Alinta Energy
Address:	Level 18 Raine Square 300 Murray Street, Perth WA 6000
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Submission

Clause 2.10.7 of the Wholesale Electricity Market Rules provides that any person may make a submission for a Procedure Change Proposal (including proposals developed by AEMO, the Economic Regulation Authority or the Rule Change Panel) by completing this Procedure Change Submission form.

Submissions should be provided by email to the nominated contact in the call for submissions published with the Procedure Change Proposal.

Please provide your views on the Procedure Change Proposal, including any objections or suggested revisions

Alinta Energy broadly supports the Procedure Change Proposal and its intent to clarify the process for applying for Certified Reserve Capacity.

Alinta Energy specifically supports the proposed step 4.2.2 which gives applicants an opportunity to receive a preliminary screening of their applications. This will help avoid the risk of administrative errors causing invalid applications.

Alinta raises the following issues for AEMO's further consideration.

Step 3.1.11

Alinta Energy suggests that step 3.11.1 be amended to further clarify how AEMO would use Temperature Dependence Curves. Considering 3.1.11 is optional, applicants would require this information to be satisfied that volunteering their Temperature Dependence Curves would not disadvantage them compared to applicants who do not.

Step 5.3.4

Alinta Energy considers that the diversification of WA's electricity supply has rendered the 14-hour fuel requirement obsolete. Given the current level of large- and small-scale intermittent generation on the SWIS, it is highly unlikely that a Scheduled Generator will be required for 14 consecutive hours to maintain reliability.

Constrained network access and security constrained economic dispatch will further reduce this likelihood by lowering barriers to entry and enabling generators to compete for network access in real time.

In this context, Alinta Energy considers that it is unnecessary to add more prescription to fuel obligations. These obligations already appear excessive, and the proposed requirement for fuel and transport contracts to be '90% firm' may exacerbate this issue.

Given the current capacity mix on the SWIS and planned market reforms, Alinta Energy suggests that it would be more appropriate to implement reforms that reduce fuel obligations. This would ensure generators do not over-procure fuel and transport capacity at significant cost to the market.

Step 5.3.6

Alinta Energy considers that proposed step 5.3.6 appears to conflict with the WEM Rules and may cause dual fuel facilities to over-procure fuel.

4.10.1(e)(v) of the WEM Rules notes that a 'Facility may satisfy its fuel obligations using a combination of primary and alternative fuels.'

However, step 5.3.6 requires applicants with dual fuel facilities to provide evidence that contracts for each of its fuel types comply with step 5.3.4 and are therefore '90% firm'. This would prevent a Facility from using alternative fuel contracts that are less than 90% firm to supplement its primary fuel contracts and meet its fuel obligation as permitted by 4.10.1(e)(v).

Instead, a dual-fuel generator would be required to ensure that the contracts for its alternative fuel meet 5.3.4 in isolation of its contracts for its primary fuel. As a result, Alinta Energy considers that step 5.3.6, in conjunction with 5.3.4, would cause dual fuel facilities to over-procure fuel.

Step 5.3.7

Alinta Energy is concerned that the proposed step 5.3.7 would disincentivise generators from investing in secondary fuel capabilities. If generators are accredited assuming the fuel type that gives it the lowest capability, they risk receiving a lower level of Capacity Credits when they invest in a secondary fuel.

To avoid this, Alinta Energy suggests that a generator should be only accredited based on the lower of its capabilities for its different fuels where that generator requires both its primary and secondary fuels to satisfy the fuel requirement.

If the generator satisfies the requirement using just one fuel type, then it should be accredited based on its performance using this primary fuel, regardless of whether it is capable of also using a secondary fuel.

Please provide an assessment whether the Procedure Change Proposal is consistent with the Market Objectives and the Wholesale Electricity Market Rules.

Alinta Energy considers that step 5.3.4 is inconsistent with the Market Objectives (a) and (d) because it may increase the burden of fuel obligations without improving reliability. This would decrease efficiency and put upward pressure on costs passed through to customers.

Alinta Energy considers that step 5.3.6 is inconsistent with 4.10.1(e)(v) of the Wholesale Market Electricity Rules due to the reasons described above. Alinta considers 5.3.6 is also inconsistent with the Market Objectives (a) and (d) because it may cause dual facilities to over-procure fuel, decreasing efficiency and increasing costs passed through to customers.

Alinta Energy considers that Alinta Energy considers that proposed step 5.3.7 is inconsistent with Market Objective (a) as it may discourage rather than promote investment in improved reliability. Secondary fuels improve reliability by enabling facilities to operate regardless of disruption to their primary fuel source.

Except for steps 5.3.4, 5.3.6, and 5.3.7, Alinta considers this Procedure Change Proposal is consistent with Market Objectives and the Wholesale Electricity Market Rules. Its clarification of the process for applying for Certified Reserve Capacity may reduce the risk of invalid applications. This promotes efficiency (Market Objective (a)) considering invalid applications can decrease the quantity of Certified Reserve Capacity and increase the Reserve Capacity Price.

Please indicate if the Procedure Change Proposal will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.

Alinta does not anticipate that it will incur any costs or need to modify its systems a result of this Procedure Change Proposal being implemented.

Please indicate the time required for your organisation to implement the changes, should they be accepted as proposed.

Alinta does not anticipate that it will need to modify its systems or business processes as a result of this Procedure Change Proposal being implemented.