

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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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

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

The Australian Energy Council (the “**AEC**”) welcomes the opportunity to make a submission to the Rule Change Panel (the “**RCP**”) on the Method used for the assignment of Certified Reserve Capacity to Intermittent Generators (“**RC_2019_03**”).

The AEC is the industry body representing 22 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia and sell gas and electricity to over 10 million homes and businesses.

RC_2019_03 is a significant change. While the AEC was supportive of the Economic Regulation Authority’s (the “**ERA**”) Rule Change Proposal¹, the RCP’s proposed method has shifted significantly from the ERA approach that was developed through extensive stakeholder consultation. The AEC’s members now have a diversity of views on the RCP’s modified Rule Change Proposal and some have raised specific concerns including:

¹ See [Australian Energy Council’s submission on RC_2019_03](#)

- The limited sample size for calculating the Effective Load Carrying Capability (“**ELCC**”) for individual generators;
- The volatility that is likely to result from relying on such a limited sample size;
- The potential for the contribution of intermittent generators to be incorrectly valued due to the small data set and volatility at a time when most new entrants are expected to be intermittent generators;² and
- Adverse impacts on the Wholesale Electricity Market (“**WEM**”) Objectives.

The AEC’s members will raise their concerns, and put forward their preferred approach, directly to the RCP through their submissions and we encourage the RCP to fully consider their feedback.

Nonetheless, as a general principle, the AEC encourages the RCP to adopt an approach that maximises the number of intervals used to allocate the ELCC for individual generators. The RCP’s modified Rule Change Proposal will determine a participants’ relevant levels with as few as twelve Trading Intervals. An analysis undertaken by Endgame Economics on behalf of Alinta Energy and presented at the 10 May 2021 MAC Workshop suggests that as few as three observations of a facility’s historical output will determine its relevant level. It is undesirable to rely on a small sample size which increases the natural error in calculating a deterministic capacity value. Such errors produce volatile outcomes, which increases investment risk and therefore reduces dynamic efficiency. This ultimately increases consumer prices.

The RCP can employ various practical solutions to use a larger set of intervals to determine a participants’ relevant levels. The AEC encourages the RCP to further engage with stakeholders to review the allocation of the fleet ELCC to individual generators to reduce volatility and the flow-on impacts. The AEC does not support any method that uses a small set of Trading Intervals to determine relevant levels.

Other recommendation

The AEC does not agree with publishing the historical output for all facilities, including the estimated output from independent expert reports for Trading Intervals before a Facility’s full operational date. This data from expert reports is likely to be sensitive information, and the sharing of this information may put facilities at a competitive disadvantage.

² See [Whole of System Plan](#)