

18 February 2021

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

Submitted via email by graham.pearson@energycouncil.com.au to Support@rcpwa.com.au

Economic Regulation Authority:

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

The Australian Energy Council (the “**AEC**”) welcomes the opportunity to make a submission to the Economic Regulation Authority (the “**ERA**”) 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.

The AEC appreciates the ERA consulting with stakeholders about this important proposed rule change. The AEC directly engaged with Energy Policy WA and the Minister for Energy’s office on this issue during 2019 and 2020, and we continue to be supportive of RC_2019_03 because it will:

- Correct issues with the current Relevant Level Methodology (“**RLM**”) that can result in unnecessary over or under-estimation of the capacity contribution of intermittent generators and may incorrectly disincentivise investors. This is of concern given that the Whole of System Plan forecasts that the majority of new entry capacity in the Wholesale Electricity Market will be renewable generation.¹
- More accurately allocate capacity credits to intermittent generation facilities based on their contribution to system adequacy in the SWIS.
- Improve the transparency of the calculation of the capacity contribution of intermittent generators. This is achieved by removing the K and U parameters, which are not defined in the market rules, and by allowing market participants and prospective investors to assess the capacity value of their facilities more easily.

¹ See page 48, [Whole of System Plan](#)

- Increase competition among generators in the SWIS by removing the barrier to entry caused by the current method. The current method may overvalue existing generators and undervalue new generators because it assesses facilities individually without accounting for the contribution of other facilities.² The proposed RLM corrects this issue by assessing the capacity value of the fleet of intermittent generators simultaneously and puts new generators on a level playing field.

Other issues

RC_2019_03 is a significant change and the AEC is supportive of the improvements. However, some of the AEC's members have raised concerns about specific aspects of RC_2019_03 including, but not limited to, the assessment of the loss of load expectation, determining the RL_fleet, and the merit of scaled demand and the methodology used to determine scaled demand. The AEC's members will raise these issues directly with the ERA through their submissions and we encourage the ERA to fully consider these matters.

Additionally, with the upcoming implementation of the Network Access Quantity framework, the AEC notes that further adjustments may be required to ensure that intermittent generation is not unfairly penalised.

Conclusion

The AEC appreciates this opportunity to provide feedback on RC_2019_03 and thanks the ERA for considering our submission noting that it has been lodged after the deadline.

The AEC is broadly supportive of RC_2019_03 but encourages the ERA to take into account the issues raised by our members in their direct submissions.

Please do not hesitate to contact Graham Pearson, Western Australia Policy Adviser by email on graham.pearson@energycouncil.com.au or by telephone on 0466 631 776 should you wish to discuss this further.

Yours sincerely,

Graham Pearson

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² See page 6, [Rule Change Notice: Method used for the assignment of Certified Reserve Capacity to Intermittent Generators \(RC_2019_03\)](#)