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Mr Simon Middleton

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Public Utilities Office

Department of Finance

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Dear Simon

***Western Australian Reliability Advisory Committee Position Paper Response***

Thank you for the opportunity to respond to the recent position paper on the proposed design of the Reliability Advisory Committee. As requested Perth Energy’s response to the position paper is set out in the table below following which is our expanded response to a number of points.

	Proposed design	Role of Economic Regulation Authority			Reliability Advisory Committee	
		Appoint Committee Members	Must consult RAC when undertaking functions	Sufficient decision making guidance	Independent Committee of experts	AEMC officer on Committee
<b>Perth Energy</b>	Yes	Yes	Yes	Yes	Yes	Yes

Perth Energy considers that establishment of a Reliability Advisory Panel in Western Australia is of particular importance. While all markets claim to be unique, this is certainly true of the South West Interconnected System (SWIS) because it is an isolated system and because individual generating plants can represent a substantial portion of the installed capacity. The system maximum demand is strongly correlated with maximum ambient temperatures but very hot summers do not necessarily occur more than once every few years.

The design of the Western Australian Wholesale Electricity Market has addressed these issues in part through the Reserve Capacity Mechanism (RCM). The RCM means that decisions in respect to the power system reliability standard translate directly into the cost of electricity supply which must be met by end use customers and, in some circumstances, by market participants.

The market is also going through the very significant change to an unconstrained transmission system. It is not yet clear how this will tie into the RCM, nor is it clear how generation reliability standards will be set for those parts of the SWIS, such as the Eastern Goldfields, with significant network constraints. For all of these reasons the Reliability Advisory Committee needs to be able to place the right level of emphasis on Western Australian issues. A local Committee appears to be the best mechanism for this, at least for the next few years.

The make-up of the proposed Advisory Committee is critical if it is to be able to effectively fulfil its function and be seen to be genuinely independent. As has been noted by a number of participants, the credibility of the current reform process is undermined by the very limited participation of any non-government players. If the Advisory Committee were to be dominated by Government and representatives of the Government-owned utilities then it would potentially be perceived as biased in its deliberations. The Position Paper lists the make-up of the Australian Energy Market Commission Reliability Panel. This appears to include persons representing a broad range of interests, including customers and financiers, and provides a sound model for a WA Committee.

Perth Energy considers that this Committee should be established promptly, the paper proposes mid-2016, so that it can contribute effectively through the detailed market design process.

Perth Energy supports the arguments provided in the Paper that responsibility for review of, and making recommendations on power system reliability should rest with the ERA. It would be prudent, however, to review the capabilities within the ERA to adequately take on this specialised area of work and, if necessary, strengthen these capabilities. In view of the cost of incorrect decisions, either excess investment or inadequate reliability, a modest increase in the ERA's capabilities may well be justified.

In conclusion, Perth Energy supports the proposals in the Position Paper. Should you or your staff wish to discuss any of these matters further please do not hesitate to contact either myself or Patrick Peake on 9420 0300.

Yours faithfully

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Managing Director