

26 April 2016

Simon Middleton
Program Director
Program Management Office of the Electricity Market Review
Public Utilities Office
Albert Facey House, 469 Wellington Street
Perth WA 6000

Dear Simon,

Position Paper: Design Recommendations for Wholesale Energy and Ancillary Service Market Reforms

Blair Fox has participated in the Wholesale Electricity Market since 2011, both as a Market Generator through our operation of two 5MW wind farms servicing embedded loads in the Lancelin area and as a Market Customer servicing a modest portfolio of large use retail customers.

Blair Fox welcomes the opportunity to provide our input into the Wholesale Electricity Market Review and in particular this Position Paper: Design Recommendations for Wholesale Energy and Ancillary Service Market Reforms.

Blair Fox supports the broader objectives of the Energy Market Operations and Processes reform and recognises the need for refinements to market operations in order for the WEM to function efficiently as we moved to a constrained network model.

Blair Fox believes that the current Participant and Facility classes has served the WEM well and wider consultation should be sought before the proposal to adopt the National Electricity Market registration classes proceeds. Careful consideration must be given to how this may impact participants who have made investments in generating capacity.

This may have particular impact on operators of small generator units who are currently subject to less stringent communications requirements. The position paper proposes that the Australian Energy Market Operator be able to require a non-scheduled generator to comply with some of the obligations of a Scheduled Generator or a Semi-Scheduled Generator if it considers it necessary for any reason. This suggests that the ultimate outcome will be that generators below 10MW will be forced to implement costly communications systems or be classified as a Non-Market Generator and therefore ineligible for capacity credits.

The proposal that a generator with a small, intermittent generating unit should be eligible for Capacity Credits regardless of whether it is classified as semi-scheduled or non-scheduled should offer some comfort but it seems inconsistent with the *Guide to NEM Generator Classification and Exemption* and the earlier statement that only market generating units would be eligible for Capacity Credits. We believe that this needs to be more explicitly stated so that the intent is unambiguous. The way in which the inconsistency will be addressed also needs explanation.

Blair Fox looks forward to the release of the draft rules for participants and facility registration and recommends a more detailed proposal and further consultation with industry participants to ensure there are no unintended adverse consequences associated
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with the adoption of NEM processes that outweigh the cost savings to participants and consumers.

We would also like to highlight the financial and operational burden of the Austraclear settlement processes on small market participants and advise against shifting from a monthly to a weekly settlement cycle for NON-STEM transactions.

Yours sincerely,

Tim Rosser
Director
Blair Fox Pty Ltd