



NewGen Power

NewGen Power Kwinana Pty Ltd
ABN 52 116 827 546
As Agent for NewGen Power Kwinana Partnership

27 April 2016

Dr Ray Challen
Steering Committee Chairman
Electricity Market Review (Phase 2)
Public Utilities Office
Locked Bag 11
Cloisters Square WA 6850
By email: electricitymarketreview@finance.wa.gov.au

Dear Dr Challen

RESPONSE TO “Position Paper: Design Recommendations for Wholesale Energy and Ancillary Service Market Reforms” (the Paper)

Summary

NewGen Power Kwinana (NPK) thanks the Steering Committee for providing the opportunity to comment on the “Position Paper: Design Recommendations for Wholesale Energy and Ancillary Service Market Reforms”.

The NPK project participates in the WEM by owning and operating a 328MW combined cycle power station with long term off-take and fuel supply contracts. The project is owned by a partnership between Sumitomo Corporation and Infrastructure Capital Group.

NPK generates 10.2% of all energy generated on the SWIS (~4,960,000MWh/annum).

Responses

Security Constrained market design

NewGen is supportive of a security-constrained market design premised on a least-cost dispatch principle.

Facility Bidding

NPK supports reforms that will require, to the greatest extent possible, all participants to participate under the same set of rules. For that reason NewGen supports facility bidding universally. As our general position is to support the majority of reforms contained within the paper, and we believe facility bidding is essential to facilitate a co-optimised, constrained market framework, our support is reinforced by this additional understanding.

Co-optimisation of energy and ancillary services

NPK supports the proposal to develop co-optimised energy and ancillary service markets.

Cost allocation of Load Following

NPK does not support the proposal to adjusted cost-allocation of LFAS to a causer-pays basis. NPK believes all network/market related costs in supplying the essential service of electricity should be borne by the end-user and the most efficient way to recoup those costs is by levying them directly to customers whenever possible.

Cost allocation of Spinning Reserve

NPK supports the proposal to alter the cost allocation methodology of Spinning Reserve to a runway model methodology provided it is done so in conjunction with the implementation of co-optimisation as proposed in the Paper

Gate closure

NPK supports a formal gate-closure window of between 5 and 15 minutes.

Shorter dispatch cycle

NPK supports a 5-minute dispatch cycle.

Ex-ante Pricing

NPK supports a shift to ex-ante pricing.

Retention of the STEM

NPK strongly supports the retention of the STEM. We consider the day-ahead forward market provides valuable information and allows for more efficient dispatch outcomes for NPK on a daily basis.

Scheduling Day Processes

NPK supports retaining the bilateral nomination process and the removal of resource plans and an extension of the STEM window by one hour (also ASAP).

Utilisation of NEMDE

NPK supports the adoption of the NEM Dispatch Engine.



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Location of the Reference Node

NPK is unable to provide support to a change in reference node from Muja to another location primarily as the commercial and practical impacts, and the net benefits, if any, are simply not clear. NPK's position is that any change to the Reference Node need to be supported by a clear, independent, business case with the benefit absolutely outweighs the cost and disruption.

Basis for dispatch

NPK supports dispatch on a sent-out basis but cannot offer advice on the best means of addressing Synergy's legacy issues.

Removal of Constrained Off Payments

Where the network is functioning without unplanned network outages and a participant is thence economically constrained, NPK supports a mechanism of no constrained-off payments.

NPK suggests that where a constraint occurs because of unplanned (network) outages a facility which would otherwise normally be dispatched that participant should be eligible for constrained-off payments.

Changes to Non-STEM settlement cycle

NPK supports the implementation of a single settlement cycle/process.

Yours Sincerely

Andrew Sutherland
CEO