

29 September 2022

Energy Policy WA
Level 1, 66 St Georges Terrace
PERTH WA 6000

energymarkets@dmirs.wa.gov.au

CONSULTATION – RESERVE CAPACITY MECHANISM REVIEW – STAGE 1

Synergy welcomes the opportunity to provide comment on Energy Policy WA's (EPWA's) *Reserve Capacity Mechanism Review – Stage 1 Consultation Paper*¹ (**Paper**) regarding proposed changes to the Reserve Capacity Mechanism (**RCM**) in the Wholesale Electricity Market (**WEM**). Synergy congratulates EPWA on its thorough review of the RCM's design in stage 1, noting that more work is still to be undertaken in stage 2 and stage 3 of the review.

Synergy considers the review of the RCM to be timely and appropriate to ensure the RCM continues to be fit for purpose. This is particularly important as the WEM transitions towards net zero emissions. The WEM customer demand and generation mix will necessarily change substantially during the transition, adding to the importance of the RCM Review.

Synergy's comments on the Paper and design proposals are provided **below**.

Overview

At a high level, most of the design elements appear to be appropriate, however the implications of the proposed changes are unable to be fully considered until the finer details of the design proposal are known. Synergy's main areas of interest and focus for the overall design of the RCM relate to:

- Ensuring the WEM as a whole allows for appropriate recovery of efficient costs and that efficient fixed costs that are unrecoverable in the energy and Essential System Service markets can be recovered within the RCM;
- Understanding the role of Distributed Energy Resources (**DER**) within the RCM and ensuring that the obligations and incentives encourage DER orchestration to assist in mitigating against system stress events;
- Further consideration of how to best mitigate for the 'duration gap' and ensuring that the obligations and incentives support longer duration facilities, noting that the 14-hour fuel obligation will be further considered in stage 2; and
- Ensuring that the certification methodology for intermittent generation is appropriately balanced to determine a reasonable forecast of future performance while also providing investment certainty and reducing volatility in the Certified Reserve Capacity (**CRC**).

¹ <https://www.wa.gov.au/system/files/2022-08/EPWA%20-%20Reserve%20Capacity%20Mechanism%20review%20-%20consultation%20paper%201.pdf>

Purpose of the RCM and Defining System Stress

The RCM's purpose is to ensure there is sufficient generation capacity available within the SWIS to maintain a pre-defined level of reliability. The reliability requirements of the WEM may change over time with the generation transition to net zero emissions and changing customer demand via solar photovoltaics (**PV**) and electric vehicles (**EVs**). While peak demand events are likely to continue be a stress to the system, the Paper notes that system stress events may also occur due to:

- *decreasing minimum demand;*
- *increasing rate of change in demand;*
- *generation volatility;*
- *planned and unplanned outages; and*
- *the availability duration gap.*

While the WEM should have the means to address or mitigate each of these potential “stressors”, Synergy considers the RCM may be the appropriate mechanism for addressing some (but not all) of these stressors.

The Paper proposes that peak demand and the rate of change in demand are mitigated via the RCM, whilst decreasing minimum demand and generation volatility are best dealt with via other means. Synergy notes that although not explicitly stated as a proposal within the Paper, the RCM will also be used as the means to mitigate against stress caused by outages and the availability duration gap.

Synergy is generally supportive of this approach and provides the following comments for further consideration in the detailed design in stage 2 of the RCM Review:

1. The role of DER and the aggregation of DER within the RCM needs to be further analysed and understood. Synergy notes that the Energy Transformation Taskforce has developed the DER Roadmap² and EPWA is continuing work with other energy market participants and the network operator to deliver this project. The RCM Review needs to be cognisant of the outcomes and findings from the DER Roadmap to ensure that obligations and requirements for DER aggregation are fit for purpose.
2. Synergy notes that DER and its role within the WEM is complex, as unlike a traditional generator, it can operate on both the demand side and the supply side. There is a fine balance to ensure that the right value attribution is applied to DER via revenue adequacy or incentives to drive behaviours and investments that best suit the needs of the WEM. DER and the orchestration of DER via aggregation could, with the right drivers, assist with several of the concerns raised in the Paper.
3. Synergy agrees that the existing “peak” capacity product should be retained and notes that further consideration and analysis is needed to understand the role that DER and DER aggregation has in servicing the peak. Synergy notes that the system peak demand has declined significantly in recent years due to DER with over 2,000 MW of behind the meter (**BtM**) PVs significantly reducing operational demand in middle of the day and shifting the operational peak to later in the day. As noted by AEMO, for the peak demand day in 2021, the operational demand peak of 3,984 MW occurred at 6pm in comparison the underlying demand peak of 4,393 MW occurred at 3:30pm.³
4. Synergy considers that the contributions and financial incentives for BtM PV to assist in lowering the operational peak also needs to be considered along with the methodology used to determine the Individual Reserve Capacity Requirement in stage 2 of the RCM Review.

² <https://www.wa.gov.au/government/distributed-energy-resources-roadmap>

³ [2022-wholesale-electricity-market-esoo.pdf \(aemo.com.au\)](https://www.aemo.com.au/wholesale-electricity-market-esoo.pdf)

5. Synergy agrees that a product should not be created within the RCM to address minimum demand, however further consideration is needed on the proposal to “disincentivise” generation that may potentially add to minimum load issues as this will likely add further complexities to the RCM design.

The Paper suggested that facilities “with high minimum stable generation, and/or long start-up, minimum running or minimum restart times” should be discouraged. In order to be able to incorporate this into the RCM, it becomes difficult to define what each of these attributes are and what values are acceptable or not. Further, Synergy notes that a “high minimum stable generation” should be acceptable provided that the facility is fast starting. Additionally, the proposal to add a “flexible capacity” product to the RCM and preference facilities that can meet the flexibility requirements should be adequate to address this concern.

6. Synergy agrees that the rate of change in demand is a potential system stress event and the ability to meet the ramping requirements will become an increasing concern as the South West Interconnected System (**SWIS**) fleet transitions towards net zero. EPWA’s proposal to introduce a flexible capacity product in the RCM to mitigate this potential system stress event is an appropriate approach and is supported by Synergy. Detailed comments and considerations on the flexible capacity product are provided later in the document.

7. Synergy agrees that Planning Criterion should not be amended to mitigate volatility concerns relating to intermittent generation at this stage, however this should be monitored and if required reassessed every few years as the generation fleet transitions towards low or zero emissions technologies. Synergy notes that the current Reserve Capacity Target (**RCT**) includes capacity for Essential System Services (**ESS**) and that the MW requirement within the RCT should be reviewed as part of stage 2.

8. Synergy notes the Paper does not propose a mitigation method for the duration gap. However, the Paper proposes that different capability classes are used, allowing for different duration requirements in the future. Synergy notes that requirements needed to mitigate against a duration gap are likely to significantly differ to the requirements to mitigate against peak demand stress (via the peak capacity product) or ramping requirements (via the newly proposed flexible capacity product).

Further consideration is needed to ensure that the RCM (and the WEM overall) provide the right incentives to encourage facilities that can mitigate the duration gap issue. The detailed design of the Capability Classes in stage 2 will need to consider:

- a. what technology types can reasonably provide this service;
- b. how the costs of these facilities compare to facilities that provide the peak capacity service;
- c. that the obligations and incentives for these facilities reasonably consider the expected normal operating dispatch; and
- d. that efficient costs for the longer duration facilities can be recovered from the market as whole.

Review of the Planning Criterion

The Planning Criterion is a critical component in determining the reliability requirements of the SWIS. A two limbed approach is currently used in the SWIS Planning Criterion, assessing the reliability requirements using both forecast peak demand and maintaining an acceptable level of expected unserved energy. Synergy agrees that the current two limbs should continue to be used for the Planning Criterion with some refinements to ensure that an acceptable level of reliability continues to be maintained.

The Paper proposes that the first limb of the Planning Criterion is amended in two ways:

- to allow for the expected forced outages rates to be removed instead of fixed assumption (of 7.6%); and
- to account for the largest contingency potentially being a network contingency rather than a generator with the implementation of a constrained network in the SWIS.

Synergy agrees that amendments to the Planning Criterion to address these concerns is appropriate but cautions that care is needed to ensure the reserve margin does not overstate the issues.

The proposed drafting to address the assumed forced outage rate states that the value used is “*the proportion of capacity expected to be unavailable at the time of peak demand based on historical facility forced outage rates*”. Synergy notes that the historic performance of facilities may not always be the best assumption for future performance and that a level of flexibility may be required in determining the capacity “*expected*” to be unavailable. An administered approach of applying historical outage rates without considering if the past performance issues have been rectified may unnecessarily increase the reserve margin and thereby increasing costs to consumers.

To address this concern, Synergy suggests the drafting of clause 4.5.9(a)i is amended to:

- 4.5.9(a)i. the forecast peak demand (including transmission losses and allowing for Intermittent Loads) multiplied by the **reasonable expectation of the** proportion of **unavailable** capacity ~~expected to be unavailable~~ at the time of peak demand based on historical facility forced outage rates; and

With a constrained network in the new market, network contingencies will be an important consideration for reliability and need to be considered within the Reserve Margin. However, a balance is needed to ensure that alternative reliability solutions (such as network upgrades) continue to be reviewed and considered. Where alternative solutions are available, a cost benefit analysis should be undertaken to ensure that the approach (either increasing the Planning Criterion or a network solution) provides the best outcome for consumers. Synergy notes that the methodology used in the assessment for the contingency requirements should be aligned with the expectation of market dispatch outcomes that may potentially curtail to limit network contingencies where this would result in the lowest cost dispatch outcome.

As identified within the Paper, the demand rate of change may also cause system stress events, creating reliability concerns. To mitigate this risk, EPWA proposes that a third limb is added to the Planning Criterion to address this reliability requirement. Synergy supports the introduction of a “flexible capacity” product into the Planning Criterion noting that the detailed design of the approach will be determined in stage 2.

Synergy’s initial view is that the 50% POE load forecast may be more appropriate than the 10% POE to determine the operational ramping requirements, noting that there are other means to mitigate some of this concern and therefore could lead to over-procurement of the flexible capacity product. For example:

- DER orchestration could increase minimum demand and/or reduce peak demand which may lead to reductions in the magnitude of the ramping, as well as assist with the ramping itself;
- Large scale Electric Storage Resources (**ESRs**) are likely to be withdrawing energy in the midday trough and dispatching in the peak periods, which could reduce the magnitude of the ramping; and
- Although not ideal, AEMO may be able to direct facilities under the WEM Rules to dispatch in a manner to ensure that the ramping is achievable for extreme ramping events.

Benchmark Reserve Capacity Price

The revenues available to facilities under the RCM is of critical importance as it is one of only three revenue streams available to facilities in the WEM. Synergy notes that the revenues from the RCM are the only existing means of revenue certainty as a facility's capacity revenue is not tied to dispatch outcomes. The capacity price paid to facilities for providing capacity, the Reserve Capacity Price (**RCP**), varies year on year and is determined as a function of the Benchmark Reserve Capacity Price (**BRCP**) and the capacity supply and demand position.

With the proposed introduction of the new flexible capacity product into the RCM, consideration is needed as to the capability requirements for this product and if the reference technology and costs for the flexible capacity product differ to those applicable to the peak capacity product. As noted in the Paper, there will be facilities that are able to meet the capability requirements for both the flexible capacity product and the existing peak capacity product, and the design of the RCM needs to be amended to ensure that the right investment incentives are provided for each capacity product.

Synergy generally supports the proposed design changes for the BRCP but further consideration is needed for some of the elements. The Economic Regulatory Authority's (**ERA's**) WEM Effectiveness Review⁴ found that there is unlikely to be revenue adequacy on a total basis in the WEM. This highlights the importance of ensuring that the BRCP (and resulting RCP) are sufficient to support efficient investment in new capacity when required. Synergy notes that the BRCP in general is much higher than the resulting RCP that facilities receive, and although the RCP methodology is out of scope of this review, changes may be required to ensure that revenue adequacy for efficient investment can be achieved in the WEM.

Synergy is of the understanding that the RCM revenues are intended to support efficient investment in capacity and notes that the design of the RCM ensures that there is sufficient capacity, above normal operating conditions, to meet extreme events with a Reserve Margin. As there is an expectation that facilities will be available "just in case", the revenue for these facilities, when efficiently invested in, should cover all costs incurred by the facilities. The BRCP (and resulting RCP) need to be considered alongside the likely revenues from the energy and ESS markets to ensure that all efficient costs can be recovered. Further, the "duration obligations" and associated costs are not currently considered within the BRCP and is likely to need to be further explored to ensure that these costs are recoverable from the WEM. Synergy is cognisant that the final design of the Market Power Mitigation framework⁵ is crucial to understanding the revenue adequacy outcomes of the WEM.

Synergy considers that the following factors should be considered in the determination of the BRCP:

1. Ensuring efficient costs that are associated with the RCM that are not recoverable within the other revenue streams are accounted for within the BRCP. These costs may include (but are not limited to):
 - a. Efficient overhead costs and market fees that a "just in case" facility would expect to incur, noting that under normal operating conditions the "just in case" facility is not expected to dispatch and should not be assumed to earn other market revenues; and

⁴ <https://www.erawa.com.au/cproot/22805/2/D249712-WEM.Rep.2022---Triennial-review-of-the-effectiveness-of-the-Wholesale-Electricity-Market-2022.pdf>

⁵ <https://www.wa.gov.au/system/files/2022-08/Market%20Power%20Mitigation%20Strategy%20-%20Consultation%20Paper.pdf>

- b. Additional costs incurred by facilities to meet the obligations associated with the Certification of Reserve Capacity that are above the reasonable expectations of dispatch requirements, such as the premiums incurred for contracting gas and supply and transport above expected dispatch outcomes.
2. Facilities that are providing the flexible capacity product may have a different life expectancy due to the different dispatch expectations. Noting that an ESR that is available “just in case” for the peak capacity product is likely to have limited degradation in comparison to an ESR that is providing the ramping service required for the flexible capacity product. Synergy notes that even when the reference technology is the same for both BRCPs, the facility life is likely to differ.
 - a. Synergy notes that there may also be differences in the expected facility life for each of the Capability Classes which may eventually need to be accounted for to ensure the right incentives are provided for each Capability Class.
3. The potential for network constraints and lower NAQs for the reference technology needs to be considered and modelled. The Paper suggested that it could be assumed that the new facilities locate in unconstrained locations, however this assumption needs to be verified against the actual network constraints and locations.
4. Swapping from a Gross Cost of New Entry (**CONE**) approach to a Net CONE approach is a complex task and extreme caution will be needed to ensure the approach and assumptions are sound;
 - a. Synergy suggests that significant consultation and modelling should be undertaken if there was a proposal to switch to Net CONE;
 - b. As noted earlier, the RCM procures capacity “just in case” there is an extreme event and, therefore there will be excess capacity during expected normal operating conditions. As such there will continue to be capacity that is not dispatched and will not earn other revenues. The BRCP needs to ensure that these facilities are kept whole for their efficient costs;
 - c. Consideration needs to be given to the potential scenario that the expected dispatch of the reference technology may be low given the peaky nature of the WEM;
 - d. The Paper suggests that ESS revenues should be considered in a Net CONE approach, however Synergy cautions that the full impacts of ESS dispatch, such as facility degradation also need to be included;
 - e. The assumptions used to determine Net CONE need to be very conservative to ensure that facilities are still able to recover their efficient costs, noting the need for revenue adequacy in the WEM;
 - f. Synergy notes that the BRCP and RCM are forward looking, and it is likely that the change in the reference technology could occur before the lower cost reference technology is operational within the SWIS. In this situation, Synergy suggests that the Gross CONE continues to be applied until there is actual WEM based data on the new reference technology that can better inform assumptions in the modelling, noting that the ERA is able to undertake a review earlier if required.

5. Synergy supports the proposal that the capacity price applied to facilities that meet the requirements of both the peak and flexible capacity products is set at the higher of the RCPs and that the facility can “lock-in” the price. However, Synergy suggests that a five-year lock-in period may not provide sufficient revenue certainty (for both the peak and flexible capacity products) and should be reviewed. Robinson Bowmaker Paul’s (RBP’s) international review found other markets offer “lock-in” periods ranging from three to twenty years.⁶

Capacity Certification

Synergy is supportive of the replacement of the current Availability Classes with Capability Classes that consider the firmness as well as duration of supply at a high level. However, the details of the Capability Classes requires further assessment and refinement in stage 2 to ensure they are fit for purpose and encourage an appropriate mix of firmness and duration in the WEM. Additional consideration is also needed as to the appropriate technologies for each Capability Class. For example, although a distillate fired Open Cycle Gas Turbine (OCGT) can technically be dispatched for a longer duration (provided it has enough on-site fuel, and sufficient re-supply provisions), dispatch by distillate-fuelled facilities for long durations is unlikely to result in the lowest cost market outcomes.

The facilities in the different Capability Classes are providing different levels of reliability and mitigating different reliability concerns, noting that Capability Class 1 facilities will be able to mitigate against the duration gap in addition to the system peak, whereas Capability Class 2 only mitigates against the system peak. This again highlights the need to ensure that there is revenue adequacy (in total from the WEM) to incentivise investments in the desired mix of capabilities. Synergy notes that the reference technology used for the BRCP is a distillate fired OCGT, which may be a valid benchmark for the peak capacity product, however it is less ideal to use as benchmark for facilities that provide longer duration capacity.

Synergy seeks clarity as to the reasoning for the proposed change to the methodology for CRC to expected output “at projected 10% POE peak ambient temperature” rather than the current “at 41°C”, and notes that participants may not be able to easily provide the data for the desired “ambient temperature” and this change may increase complexity and costs for participants while providing limited value to customers.

Capability Class 1

The current application of the 14-hour fuel obligation does not align with the original intent of the obligation which was “*to ensure that liquid fuelled facilities had sufficient onsite fuel to operate for 4-5 hours a day for three days, without resupply*”. Under the current application of the 14-hour obligation, in order to be certified for capacity, gas fuelled facilities are required to enter into a highly contracted fuel supply position that is excessive when compared to their reasonable expectations of dispatch. Further, Synergy is of the understanding that gas suppliers are requiring take-or-pay contracts for the majority of the contracted supply. This imposes significant costs on gas facilities that are currently not recoverable under the RCM.

Synergy strongly advocates that the 14-hour fuel obligation and its implementation is further assessed in stage 2 to ensure that the obligations and duration requirements placed on facilities in Capability Class 1 are reasonable. In addition, the revenues for Capability Class 1 need to be appropriate to encourage efficient investment in facilities that can provide firm, longer duration capacity, which will be increasingly important for reliability requirements in the WEM.

⁶ [Microsoft Word - RC Review - Literature Review Report v1.0 \(www.wa.gov.au\)](http://www.wa.gov.au)

Capability Class 2

Synergy agrees that a separate Capability Class for lower duration firm capacity is required and that the duration requirement for this Capability Class should continue to be monitored by AEMO and amended as required. The proposal to provide a level of certainty to ESR facilities on the duration by effectively “locking in” the duration requirement for a five-year period appears appropriate. Synergy disagrees with the “lock-in” ability being tied to the capacity surplus position at the time of certification and suggest that all ESR’s should be able to “lock-in” the duration requirement applicable at the time of certification.

Synergy is of the view that further consideration is needed regarding how to best manage the changing duration to ensure that there continues to be a mix of durations that best match the requirements of the load shape. Ideally the SWIS would have a mix of duration ESRs that can be appropriately stacked to best match to the load shape.

For illustration, assume that the duration requirement for Capability Class 2 is increased to 8 hours and that there are three 200 MW ESRs with different durations being 4 hours, 6 hours and 8 hours. Rather than determining the RCOQ for all facilities based on the longer duration requirement of 8 hours (such that the facilities are now effectively 100 MW, 150 MW and 200 MW for the different durations, totalling to 450 MW per interval across the 8 hour period), the RCOQ obligations could be managed such that the 4 hour ESR will run from 4:30pm to 8:30pm, the 6 hour ESR will run from 3:30 to 9:30pm, and the 8 hour ESR will run from 3:30pm to 11:30pm, which would result in 600 MW of capacity during the system peak demand, and lower levels of capacity dropping down to 400 MW and 200 MW as the load ramps down. The capacity payments for the facilities can still be determined based on the 8 hour duration requirement (such that the 4 hour ESR receives half the revenue of the 8 hour ESR) to ensure that longer duration ESR is still incentivised.

Synergy suggests that the design and obligations of Capability Class 2 requires further assessment and refinement in stage 2 of the RCM Review and looks forward to working with EPWA in the RCM Review Working Group to develop the detailed design.

Capability Class 3

Synergy is of the view that the proposal for AEMO to procure expert reports on behalf of intermittent facilities is unnecessary and notes that there may be unintended complexities (e.g. the requirement to manage any conflicts of interest and alignment of financial drivers) that arise under this proposal. Further, the reports are already required to be provided by an AEMO accredited expert⁷. Additional restrictions being applied to the expert reports may create unintended bias in the capacity certification process for intermittent generation.

The variations in the CRC outcomes in the early years are likely to be caused by factors other than the choice of experts, noting that the methodology itself is likely to be driving these outcomes. The current Relevant Level Methodology (**RLM**) uses the Peak Load for Scheduled Generators (**Peak LSG**) Intervals to determine the CRC values. The timing of these intervals can change as new intermittent generation comes online, so there is likely to be discrepancies in the initial CRC values. This is because the use of historic data does not consider potential changes to the timing of the Peak LSG Intervals due to the new intermittent generators.

The ERA's review⁸ of the RLM found that it is no longer fit for purpose for assessing the value of intermittent generation in the WEM. With increasing penetration of intermittent generation in the WEM, the flaws of the RLM will only be exacerbated. It is therefore appropriate that the

⁷ Refer to Section 3.1 of the AEMO document [information-guide-for-independent-expert-reports-in-the-reserve-capacity-mechanism.pdf \(aemo.com.au\)](#)

⁸ [Relevant level method review 2018 - Capacity valuation for intermittent generators: Final report \(erawa.com.au\)](#)

RLM be replaced with a more appropriate methodology in the RCM Review. Synergy supports replacing the current RLM and agrees that the new methodology should seek to:

- reflect the *expected* dispatch in system stress periods;
- incentivise locational diversity for new projects; and
- minimise year on year volatility in CRC values to provide investment certainty.

In addition, the methodology should attempt to limit the impact of future facilities on the CRC for existing intermittent generation, noting that Network Access Quantity (**NAQ**) regime and the CRC methodology should work together to encourage intermittent generation to locate in network locations that provide the best value to the WEM.

As noted in the Paper, as the WEM is very peaky and has limited history of system stress events, the results of the Effective Load Carrying Capability (**ELCC**) methodology can be driven by a very limited number of intervals, creating volatility in the resulting CRC values. Synergy is of the view that large volatility in the CRC values is unlikely to be beneficial to the market. The volatility will likely hinder efforts to deliver revenue adequacy and may also diminish investor interest in the WEM.

Synergy acknowledges that a balance is needed to ensure that the methodology provides valid estimates of future facility performance while also minimising CRC volatility, and notes that the use of average/median annual data in preference to a value determined using the whole period better achieves this balance. The system stress events observed in some years may not be as extreme as those in other years, however it is still a valid observation of a potential stress event and should not be easily ruled out. Further, the cause and timing of future system stress events is likely to change due to the continued uptake of DER, as well as changes in the load shape and the generation mix.

Synergy is of the view that the original “hybrid method” using annual ELCC numbers appears to better achieve the desired outcomes for the methodology. Synergy encourages EPWA and the RCMRWG to continue working on the CRC methodology for intermittent generation in stage 2 of the RCM Review.

Hybrid Facilities (intermittent + ESR)

Synergy supports the proposal for the capacity certification of hybrid facilities (intermittent + ESR) being further explored. Synergy notes that the hybrid certification is not an easy task and will need to be cognisant of ensuring that hybrids are appropriately incentivised to provide the desired outcomes. The obligations and financial incentives for hybrid facilities need to align to the desired outcomes and also consider the preferred operational dispatch of the facility owners (i.e. will the ESR be “firming” the intermittent or will it provide peak energy and ESS). Synergy is of the view that the location of an ESR facility (i.e. co-located or stand-alone) should not be the determinant of the operational requirements for the ESR (e.g. does it “firm” an intermittent generator or does it provide energy and ESS) as there may be other drivers (such as network access, land availability, costs etc) that influence the location decision of an ESR, and the facility owner should be able to choose what obligations apply.

Treatment for Forced Outages

Synergy supports the retention of “installed capacity” (**ICAP**) being used for Capacity Certification and agrees that the WEM Rules currently provide appropriate incentives to maximise the availability of capacity.

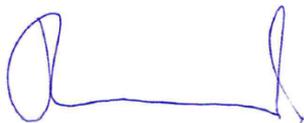
Synergy does not support the proposed changes to clause 4.11.1 to require AEMO to reduce the CRC for facilities with higher outage rates than the level prescribed within the clause. The certification process for capacity is forward looking and should therefore allow consideration of expected performance in the future. Synergy does not consider that being prescriptive under this clause provides benefits to the market and may unintentionally lead to future over procurement of capacity as additional capacity is needed to cover the “lost” CRC even when the issue has been rectified. In addition, with the NAQ regime, if the facility is in a constrained network location, the facility may be unable to earn back any lost CRC if the original NAQs are no longer available. This is an inappropriate penalty if the issues with the facility have been rectified. Once the CRCs are “lost” there is no incentive for the facility to improve its performance if its CRC (and Capacity Credits) are permanently de-rated.

This measure will unfairly impact upon selected technologies and longer duration facilities that run more often. These facilities are already incentivised to perform under the existing WEM Rules. The design of the current refund regime is such that the penalties for forced outages are higher when system stress is more likely to occur (i.e. when there is limited available capacity above the demand requirements, which ensures that facilities, regardless of technology are fairly penalised based on the additional system stress that the outage caused.

Conclusion

Synergy appreciates the opportunity to provide comment on the RCM Review stage 1 report and looks forward to continuing to work with EPWA and members of the RCM Review Working Group to undertake this review.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'J. Froud', written in a cursive style.

JASON FROUD
MANAGER STRATEGY AND CORPORATE AFFAIRS