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Reserve Capacity Mechanism Review – WEM Amending Rules Exposure Draft

Alinta Energy appreciates the opportunity to provide feedback on the draft rules to implement outcomes from the RCM review.

Alinta Energy makes the following comments for EPWA's consideration.

Topic	Rule reference	Alinta Energy comment
Outage planning for DSPs	3.18	While we recognise the policy decision, we recommend that DSPs be required to schedule outages so that AEMO may account for DSPs in its outage planning. We are concerned that in the absence of information allowing DSPs to be accounted in AEMO's outage evaluations, an influx of DSP capacity would make it harder for other Facilities to conduct outages due to there being a lower proportion of non-intermittent capacity AEMO accounts in its MT and ST PASA. Given the forecast for reserve capacity shortfalls and increasing intermittent generation it is important that DSP capacity can be accounted in AEMO's outage evaluations.
Planning Criterion	4.5.9(a)(i)	It appears this should reference 4.11.1A, not 4.11.1(hA)
Duration Gap Load Scenario	4.7.3	We suggest that the five year fixed period be extended to ten years to align with the amortisation assumed in the BRCP and the transitional pricing period.
Accreditation and testing of Flexible CRC	4.10.1 (fE) 4.10.1A 4.11 4.25.1B	<p>We consider that these parameters used for accreditation and testing have not been demonstrated as necessary to the flexible capacity product during the RCM review. We note that minimum stable loading level or resynchronisation times may not be relevant in certain circumstances. For example, there will likely remain must-run fast-ramping baseload plant that will not de-commit that would help meet the evening ramp. Minimum load would not be important if the generator can start quickly. And vice-versa - fast start or synchronisation from a 'cold state' will not be important if the generator has a very low minimum stable generation or can become a load while not de-synchronising (e.g. turbines that can 'motor'). And the level of flexible capacity of a few large generators with relatively higher minimum stable loading levels might be equal or better to numerous small generators with relatively lower minimum stable loading levels.</p> <p>If the requirements are too prescriptive, customers may pay for "flexible capacity", even where the current fleet can meet the ramp.</p> <p>We consider that the importance of these parameters should be established before they are codified in the WEM Rules for accreditation and testing. Otherwise, they should be developed in preparing the WEM Procedure. It might be a case of a participant meeting certain combination of parameters, rather than all parameters.</p>
Independent expert reports	4.10.5	This appears to create the risk of arbitrary disagreements: a second independent expert can be hired to inspect the work of the first independent expert. We perceive a risk of inconsistency between reports and their revisions between participants.

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		<p>To avoid this and ensure there is consistent moderation of reports, we suggest AEMO should continue to adjudicate the quality of the independent experts rather than rely on secondary independent experts on an ad hoc basis.</p> <p>If we retained, we consider that the cost of the second independent report should not exceed the reasonable expectation of the cost of the first report. And that there should also be a requirement for the reason for revisions to be reasonable and consistent with other decisions about IERs.</p> <p>We suggest AEMO should also be required to have reasonable grounds for seeking a secondary IER.</p> <p>We recommend that evaluations be limited to modelled output under similar conditions.</p>
Setting Certified Reserve Capacity	4.11.1(a) 4.11.1(aA) 4.11.2B	<p>While we acknowledge the policy decision, we note that we remain opposed to the requirement for Capability Class 1 facilities and non-intermittent Capability Class 2 Facilities that include technologies in addition to an ESR to be either required to meet a 14-hour fuel or discounted based the 14-hour requirement. We maintain the view that this provides a perverse incentive to avoid these longer duration, non-ESR/DSP technologies. And we note the modelling which only predicted a 14 hour gap once almost all thermal capacity retires, - an eventuality which is not forecast in the SWISDA (thermal capacity continues to be built in 2040). We remain of the view that these facilities should be accredited based on AEMO's view of the duration gap.</p>
Setting Certified Reserve Capacity	4.11.2B, Glossary	<p>For the reasons above we oppose the Availability Assessment Duration being fixed at 14 hours.</p>
Penalties for high forced outage rates	4.11.1A.	<p>Suggest replacing "high outage rate" with "outage rate exceeding the Forced Outage Threshold".</p> <p>Suggest that the Facility is discounted for the difference between the Forced Outage Rate Threshold and its Forced Outage Rate, rather than by its Forced Outage rate. Otherwise, there are inequities with generators just below the threshold.</p> <p>Suggest that proportional penalty scheme apply to demand side providers.</p> <p>We recommend that there be an exemption for forced outages caused by AEMO rejecting a generator's planned outage due to a deteriorating reserve margin.</p> <p>We recommend that generators are also exempt from refunds for these outages.</p>

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Independent Expert Reports	4.11.7	We suggest that comparisons of actual output and forecast output be exclusively under very similar conditions – considering that it would be unreasonable to expect experts to predict weather over a period of years.
Setting Certified Reserve Capacity for Demand Side Programmes	4.12.7	We strongly disagree with repealing the 200-hour requirement. This undermines harmonisation with all other capacity types which are required to dispatch for as many hours as is required to maintain reliability. We consider that customers paying for full Capacity Credits and not receiving reliability due DSPs do not dispatch due to the threshold is not consistent with the WEM and RCM review objectives in that it could undermine reliability and the long term interests of customers. We consider that the threshold could also make it harder for other generators to secure outages once it is surpassed (assuming AEMO includes DSP capacity in its outage planning)
Testing for demand side programmes	4.25A	<p>While we recognise the policy decision to remove the current limit of two capacity tests, we recommend that it is replaced by a higher limit on the number of Reserve Capacity Tests a DSP can fail, beyond which it must forfeit its Capacity Credits. If not two, then we suggest no more than four, noting that four is still a concession for DSPs compared with other facilities; and that numerous failures prior to a pass would indicate that a DSP is unreliable and is unlikely to be able to maintain the capacity it achieved following 3 consecutive failures.</p> <p>Additionally, given the lower likelihood of dispatch and the ability to self-nominate Capacity Credits, we suggest that reserve capacity testing be required for DSPs twice as often as other facilities.</p> <p>If a shorter threshold is applied (i.e. less than 200 hours), we consider that refund rates should be calculated so that DSPs would refund 125% of its Capacity Credits within these hours.</p>

Thank you for your consideration of Alinta Energy's submission. If you would like to discuss further, please contact me at oscar.carlberg@alintaenergy.com.au or on 0409 501 570.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Oscar Carlberg', written in a cursive style.

Oscar Carlberg
Wholesale Regulation Manager