

# Community Electricity

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## Submission in Response to IMO Public Consultation

### Draft Report: Maximum Reserve Capacity Price 2016-17

#### Standing

Community Electricity is:

- a. a licenced Electricity Retailer and a provider of Electricity Retail Services and Market Consultancy;
- b. a member of the Independent Market Operator's Market Advisory Committee;
- c. a member of the Economic Regulation Authority's Technical Rules Committee;
- d. formerly a member of the IMO's MRCP Working Group;

Further information is available at: [www.communityelectricity.net.au](http://www.communityelectricity.net.au)

#### Submission

Community supports the draft report and the proposed draft 2014 MRCP of \$175,100 per MW per year.

We consider that the draft report complies with the requirements of the Market Procedure - Maximum Reserve Capacity Price.

We expressly support use of the ERA's Bond Yield approach to estimating the Debt Risk Premium on the grounds that this approach is advocated by the ERA as best regulatory practice and it is the ERA that is to approve the draft report.

#### Subsidiary comments

- i) We note that in Section 3.1 the reference OCGTs have been changed by their respective manufacturers to the point that they no longer represent the standard 160MW unit. We suggest that the choice of the standard size needs to be reconciled with actually available machines.
- ii) We note that in Section 3.8.4 an insurance cost of \$120,000 per year is assumed based on a limit of \$50 million in accordance with Western Power's network access arrangements. While we support the IMO's approach, we consider that Western Power's requirement for \$50 million cover is arbitrary and should be made fit-for-purpose. In particular, we perceive this figure to arise from Schedule 5 of the Electricity Transfer Access Contract, which requires insurance in the amount of the higher of \$50 million and the figure that applies under clause 19.5. Clause 19.5 provides for different liabilities applying to different facilities, whereby a power station of any size connected to the transmission system is liable for damages up to \$11 million aggregate

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for wind and solar, and \$22 million aggregate otherwise – be it a 35MW gas turbine or the largest base-load station on the SWIS (330MW ). Equally, on the face of it, a 1kW behind-the-meter PV installation is liable for \$1.2 million aggregate. On the face of it, it would seem that the \$50 million requirement could readily be halved, and perhaps even further reduced. Noting that the apparent excess of \$53,000 per year unnecessarily increases the capacity price and that the increase applies to all certified capacity, we estimate that Market Costs are unnecessarily increased by around \$2 million per year.

## Contact

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