
Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2010_23 – Consequential Outages

Submitted by

Name:	Shane Cremin
Phone:	92612908
Fax:	9486 7330
Email:	shane.cremin@thegriffingroup.com.au
Organisation:	Griffin Energy
Address:	L15, 28 The Esplanade, WA 6000
Date submitted:	22/09/2010

Submission

1. Please provide your views on the proposal, including any objections or suggested revisions.

Griffin supports the rule change in the event its assumptions are correct and that, as a result of a consequential outage, a Participant is subject to capacity refunds and unauthorised deviations. Griffin believes that the current Rules levy unauthorised deviations onto a Participant in the event of a Consequential outage, but are less certain on the treatment of Capacity Refunds. We look forward to the IMO discussion on this issue.

Griffin also believes this proposal brings into question the treatment of Force Majeure in the Market Rules. Force Majeure is universally recognised in a legal context, yet the effects of a Force Majeure event is specifically omitted from the Market Rules. Griffin understands that in the case of an OCGT which derives its revenue from capacity credits, then allowing an exemption from capacity refunds due to a Force Majeure event will have the impact of allowing a facility to continue to earn revenue while not contributing to the system's reserve capacity. Not allowing an exemption means that the facility will pay refunds, but over the course of the year, all things being equal, will be in a revenue neutral position (i.e. it will receive capacity credit revenue for the period it provided capacity to the market and will not have received capacity credit revenue for when it did not). However, when applied to a bilaterally contracted generator, where capacity settlement revenue is tied up with contracted electricity prices (i.e. capacity plus energy), then a not allowing an exemption from a Force Majeure event will actually incur a penalty to the Participant (i.e. the Participant will be in a

revenue neutral position when providing its capacity to the market but will be penalised by capacity refunds when under a Force Majeure event).

Griffin believes this is yet another example of how the current Capacity Refund Mechanism, designed for OCGT peaking facilities, imparts adverse and discriminatory costs against other generation types.

2. Please provide an assessment whether the change will better facilitate the achievement of the Market Objectives.

Griffin agrees with Alinta's comments on the impact of the Market Objectives. The fact that a Consequential Outage is considered in the Rules suggests that the economic impacts of Consequential Outages, or events outside the control of Participants, should be minimised. To the extent that the current Rules do not do this, this would seem to represent a clear and manifest error in the wording of the rules.

3. Please indicate if the proposed change will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.

There would be no direct costs as a result of the proposed change. It would be expected that if successful, the proposed change would remove a non-controllable risk to the business.

4. Please indicate the time required for your organisation to implement the change, should it be accepted as proposed.

NA
