

MAC Renewable Energy Generation Working Group Minutes - Meeting 2

Thursday 22 May 2008, 2 – 3.20pm
ERIU conference room, level 8, 197 St Georges Terrace

ATTENDEES	ORGANISATION
Jason Banks (Chair)	OOE
Patrick Peake	IMO
Peter Ryan	Griffin
Steve Gould	Landfill Gas & Power
Jenni Conroy	Synergy
Brendan Clarke	Western Power
Wendy Ng	Verve Energy
John Lillywhite	ERA
Julian Fairhall	OOE
Brooke Eddington (Minutes)	OOE
APOLOGIES	ORGANISATION
Kristian Myhre	Alinta

Item	Subject	MINUTES
1	Welcome	<p>The meeting commenced at 2.10pm. The Chair introduced John Lillywhite representing the ERA as a new member in the group.</p>
2	Capacity Credits – Guiding Principles	<p>OOE gave a presentation outlining the background to the capacity credits issue and proposing some ‘guiding principles’ to be used when determining new methodologies for certifying generation capacity.</p> <p>The key considerations were:</p> <ul style="list-style-type: none"> – Availability - system security is paramount – Moderate price volatility – Appropriate investment incentives – Probabilistic - risk weighted but not unnecessarily risk averse – Equitable and technology neutral – Synoptic variability and impact on consumption patterns – Time frames <ul style="list-style-type: none"> • One year, three years or more years? • What intervals are of critical concern? <p>The working group discussed the need to ensure that guiding principles are applicable across the board to ensure no preferential treatment is built into the market.</p> <p>While ‘capacity’ is traded as a homogenous commodity – a MW is a MW – the measurement methodologies vary. There are currently three different types of certification – conventional, demand side management (DSM) and intermittent generation.</p> <p>DSM capacity is calculated on the basis of the load that occurred over a particular time period that <u>could</u> have been turned off if necessary. This is due to the high probability that the same demand will be there to be turned off as opposed to the variability of wind generators. The variability of the load is not assessed.</p>

		<p>The assessment of conventional generation was discussed (output at 41 degrees C) and whether changes should also be applicable across all generation types. Conventional generators are assumed to be 100% available during peak periods and are subject to refunds if not available.</p> <p>IMO advised that the initial method for determining capacity of intermittent generators included probabilistic assessment with a 90% confidence level applied across the 250 top load intervals for each wind farm, and across the ‘fleet’ of wind generators.</p> <p>While the market rules are meant to ‘encourage renewable energy’, the implications for system security need to be managed. MRET will drive investment in renewable energy over the medium term therefore it is important to ensure a ‘level playing field’ between different renewable technologies in the market.</p> <p>System management prefers predictable generators for system security therefore they would rather see 50MW of biomass than wind however the market objectives are not to preference one technology over the other.</p> <p>It is therefore important to look at whether geographic diversity in wind will reduce security concerns in the short term while ensuring that other technologies are not disadvantaged in the longer term.</p> <p>As ‘capacity’ is considered the same and is paid for at the same rate to all generators, there should be a similar level of confidence applied to all technologies, particularly as the aim of the capacity cycle is to ensure stability and reliability of the network.</p>
3	Capacity Credits – Potential Approaches	<p>The presentation outlined two approaches to certifying capacity of wind generators from the US (PJM) and Canada (Ontario).</p> <p>The presentation included a chart showing the effect of applying the PJM method to an aggregate of the three existing wind farms in WA over two separate years only. It is not yet possible to do the 3 year average due to lack of data.</p> <p>While the calculation methodologies need to be relatively simple to allow project proponents to determine the financial implications for their project, that doesn’t mean that sophisticated analysis is not useful.</p> <p>The Chair noted that this group is looking at a complex issue which may benefit from sophisticated analysis but the aim is to reduce any methodologies to a simplistic but representative approach.</p> <p><i>ACTION: OOE to send link to the Canadian Report to members</i></p>
4	Capacity Credits – Analysis Proposal	<p>OOE asked whether data might be available from members that could be used in further statistical analysis and what the terms of providing this might be.</p> <p>System management has access to output data from each wind farm and limited data on wind speed from one location.</p> <p>Verve has indicated that it would be willing to provide data on its proposed new project sites.</p>

		<p>The Chair agreed to investigate what statutory powers are available to request and protect information considered to be commercially sensitive that is provided for this work.</p> <p>ACTION: OOE to determine Coordinator of Energy powers to request information/data from market participants under legislation.</p> <p>Members agreed on the need for further analysis to inform their decisions and that the more data available for this, the better.</p> <p>ACTION: OOE to provide list of data being sought from members and what it is to be used for.</p> <p>IMO suggested the possibility of writing to those proponents who had responded to the current capacity credit expression of interest process to seek data on these projects.</p>
5	Next steps	<p>The Chair noted that as investment decisions for renewable generators are likely to be occurring this year in relation to MRET, there is a need to get information regarding any rule changes into the market to enable appropriate decisions to be made.</p> <p>The aim of the group is to have made a clear statement before the closure of the capacity cycle in July/August.</p> <p>ACTION: IMO to advise of cut off date for this capacity cycle.</p> <p>ACTION: OOE to provide the presentation to members</p> <p>ACTION: OOE to circulate the scope of works for the statistical analysis for comment from members.</p> <p>ACTION: OOE to schedule the next meeting around system management issues.</p>
6	Close	The meeting was closed at 3.20pm