Agenda Item 9

Some issues with Reserve Capacity Testing

Issue 1 – Cost-benefit of running a test

- For Kwinana Swift the cost of a Reserve Capacity test on diesel is around $80,000
- Reserve capacity payment is around $100,000 per MW per year
- So if the shortfall is less than 0.8 MW it would be more economic to accept the shortfall and not run another test

Issue 2 – Cost difference between self-testing and AEMO-testing

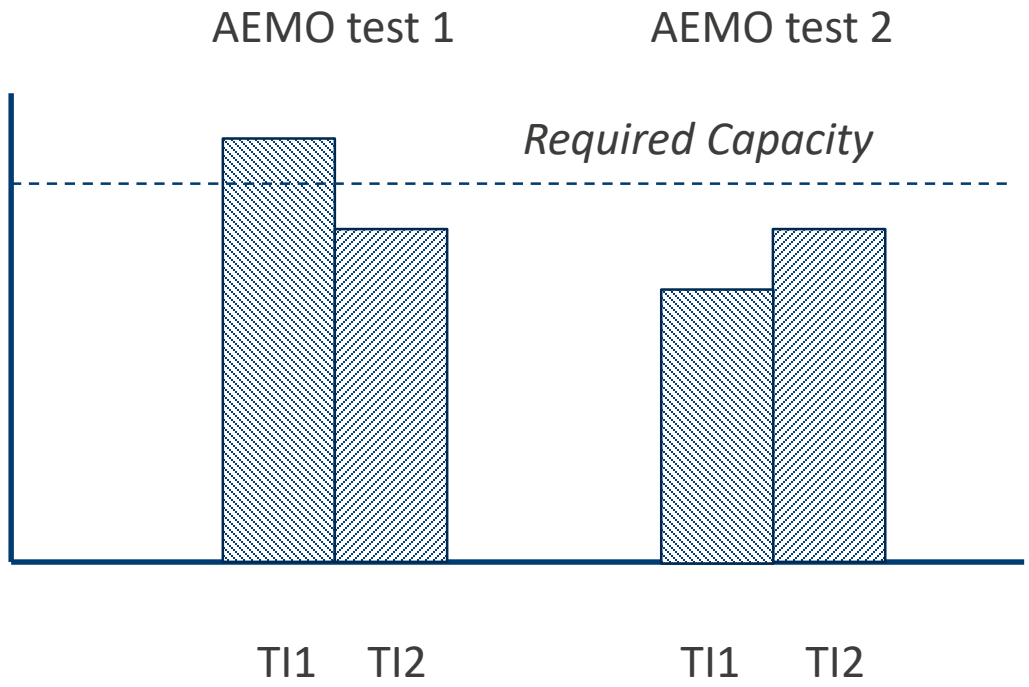
- Self-testing requires operation over only one trading interval – MR4.25.2(a)i
- AEMO-test requires operation at full power of at least two intervals – MR4.25.2(a)ii
- AEMO-test is substantially more expensive

Issue 3 – Ambiguity if plant is on outage

If a plant fails a capacity test:

- AEMO must call a second test not earlier than 14 days and not later than 28 days – MR 4.25.4
- AEMO may not call for a test if the facility is undergoing an outage – MR 4.25.3A(a) & (b)
- Rules do not cover the case where the outage extends across the period of Day 14 to day 28

Issue 4 – AEMO must reduce Capacity Credits “to reflect the maximum capabilities achieved in either Reserve Capacity Test”



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