
**Wholesale Electricity Market
Rule Change Proposal Submission Form**

RC_2010_01 Annual Review of Margin Values

Submitted by

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Submission

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

Background

Currently, the Market Rules prescribe that the Economic Regulation Authority (the ERA) must review the parameters "Margin_Peak" and "Margin_Off-Peak" once every three years. These parameters essentially set the level at which Verve Energy (and in theory other generators) are paid for providing the ancillary service of spinning reserve.

Change Proposal

Verve Energy has proposed to change the Market Rules so that the ERA is required to review the parameters "Margin_Peak" and "Margin_Off-Peak" annually instead of once every three years.

Perth Energy's Views

Perth Energy agrees with Verve Energy that the parameters that are used to effectively set the payment levels for providing spinning reserve should be reviewed more frequently than every three years as is currently the case. A more frequent review of these parameters will help ensure more accurate cost recovery for the provision of this service. However, in an environment where ancillary service peak parameters are reset annually and as such the volatility of ancillary services costs faced by Market Participants may potentially increase, it is essential that all generators who wish to offer such services are able to do so – providing themselves with an opportunity to hedge these costs in the marketplace.

Perth Energy considers that the more frequent review of these parameters may encourage more Market Participants to seek to provide such ancillary services in the Wholesale Electricity market, in turn strengthening the overall level of competition in the marketplace. Perth Energy also believes that such increases in the level of competition for the provision of ancillary services is necessary to give rise to further efficiencies in the operation of the market.

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

Perth Energy considers the change would better facilitate the achievement of all of the Market Objectives¹ and in particular Market Objectives (a) and (b). The proposed change should allow for payments for spinning reserve provision to Verve Energy, and other generators that may wish to provide this service in future, to be more cost reflective. This should in turn encourage more competition in the provision of this service and greater overall efficiency in the production and supply of electricity.

¹ The objectives of the market are:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- (c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.

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- 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 will be no impact for Perth Energy.

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

Perth Energy does not require any lead time to implement the change.
