



## INFORMATION

### Determination of values for Ancillary Service Margin\_Peak and Margin\_Off-Peak parameters

The current *Wholesale Electricity Market Rules* (**Market Rules**) require the Economic Regulation Authority to make a determination on the values for the Ancillary Service Margin\_Peak and Margin\_Off-Peak parameters by 31 March 2012. The time period to which the determination applies is from 1 July 2012 to 30 June 2013.

Under the Market Rules, the determined values would have been used to calculate the payments made for the provision of Spinning Reserve and Load Following Ancillary Services in the Wholesale Electricity Market. To date, Verve Energy has been the sole provider of these services.

The Market Rules Evolution Plan, led by the Independent Market Operator (**IMO**), has resulted in its Rule Change Proposal: Competitive Balancing and Load Following Market being approved recently. The amendments to the Market Rules are expected to commence operation on 1 July 2012. These amendments include significant changes to the provision of Load Following Ancillary Services, whereby a competitive market process will be introduced, allowing other Market Participants to provide this service. Hence, the Ancillary Service Margin\_Peak and Margin\_Off-Peak parameters will no longer include compensation for the provision of Load Following Ancillary Services.

The amended Market Rules require the Authority, in determining the values of the Ancillary Service Margin\_Peak and Margin\_Off-Peak parameters, to undertake a public consultation process, which must include publishing an issues paper and issuing an invitation for public submissions. The amended Market Rules require the Authority to make a determination by the day the new Competitive Balancing and Load Following Market commences (no specific date is stated in the amended Market Rules).

The Authority received a submission from the IMO on 30 November 2011 proposing the values of the Ancillary Service Margin\_Peak and Margin\_Off-Peak parameters that compensate for the provision of both Spinning Reserve and Load Following Ancillary Services, for the period from 1 July 2012 to 30 June 2013. The Authority will not make a determination on these values alone, as they will become redundant when the new Competitive Balancing and Load Following Market commences on 1 July 2012, as expected.

On 28 March 2012, the Authority received a submission from the IMO proposing the values of the Ancillary Service Margin\_Peak and Margin\_Off-Peak parameters, in the context of the new Competitive Balancing and Load Following Market, for the period from 1 July 2012 to 30 June 2013. The Authority will undertake the public consultation process required under the amended Market Rules shortly, and make a determination by 1 July 2012.

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29 March 2012