



Economic Regulation Authority

PUBLICATION

Review of the methodology for setting the Maximum Reserve Capacity Price and the Energy Price Limits in the Wholesale Electricity Market

REPORT

The Economic Regulation Authority (**Authority**) has published its [Report](#) on the review of the methodology for setting the Maximum Reserve Capacity Price (**MRCP**) and the Energy Price Limits (**EPLs**) in the Wholesale Electricity Market (**WEM**).

Under clause 2.26.3 of the *Wholesale Electricity Market Rules* (**Market Rules**), the Authority was required to undertake a review of the methodology for setting the price limits not later than 1 October 2013.¹

This is the first time such a review has been required to be undertaken by the Authority since market commencement in September 2006. The Authority considers market power mitigation to be the primary purpose of the MRCP and EPLs, hence the Authority's review has focussed on the requirement for such mitigation measures and the effectiveness of the current methodology for setting the MRCP and EPLs in achieving market power mitigation.

The review of the methodology for setting the MRCP and the EPLs has now been completed. Clause 2.26.4 of the Market Rules requires a report on this review be provided to the Minister for Energy. The report was provided to the Minister on 1 October 2013. The published report is now available on the Authority's [website](#).

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¹ Clause 2.26.3 of the Market Rules requires that this review is undertaken not later than the fifth anniversary of the first Reserve Capacity Cycle and, subsequently, not later than the fifth anniversary of the completion of the proceeding review. This anniversary date falls on 1 October 2013 based on the interpretation of the reference to the fifth anniversary of the first Reserve Capacity Cycle as a reference to the fifth anniversary of the completion of the first Reserve Capacity Cycle and the final year of the first Reserve Capacity Cycle was 2008.