
Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2008_27 Funding of Supplementary Reserve Capacity

Submitted by

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Submission

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

Verve Energy agrees with the IMO's assessment that the current allocation of supplementary reserve capacity costs is inequitable. Furthermore, Verve considers the inequity should be urgently addressed given the potential impact on small Market Customers should supplementary capacity be required this year. In our view, the proposed rule change provides a more equitable distribution of risk and costs, recognising that the primary supplement capacity cost offsets, such as reserve capacity refunds and reduction in IRCR's or excess capacity cost, are already shared across all market participants. Verve Energy therefore supports the IMO's draft decision to implement the proposed amendments.

However, Verve Energy also notes that both the current markets rules and the proposed rule amendment recover supplementary capacity costs through the reserve capacity market based on market participant's IRCR's and/or net capacity credit position. This ignores the fact that the activation of supplementary capacity is largely determined by energy demand on the day and measures taken by market participant to manage their demand at that time. Verve Energy therefore believes consideration should be given to further rule amendments that facilitate recovery of some or all of the supplementary capacity activation costs via the energy market, possibly based on deviations from net contract position.

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

Verve Energy agrees with the IMO's assessment that the rule change will better address the wholesale market objectives (a) and (b) and is consistent with objectives (c) and (d). Furthermore, Verve Energy believes the rule change will better address objective (e) as it will encourage all Market Customers to manage energy consumption when the use of supplementary capacity is likely, not just the small subset of customers currently exposed to the supplementary capacity costs. Targeting elements of the supplementary capacity cost to the energy market would further facilitate this objective.

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.

Minor system changes will be required however there are unlikely to be any significant cost implications.

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

Verve Energy can meet any proposed rule change implementation schedule.
