

14 December 2010

Troy Forward
Manager, Market Development and System Capacity
Independent Market Operator
PO Box 7096
Cloisters Square, PERTH WA 6850

Dear Troy,

MAXIMUM RESERVE CAPACITY PRICE REVIEW FOR THE 2013-14 CAPACITY YEAR

Thank you for the opportunity to comment on the Independent Market Operator's (IMO's) proposed Maximum Reserve Capacity Price (MRCP) which will apply for the 2013-14 Reserve Capacity Year.

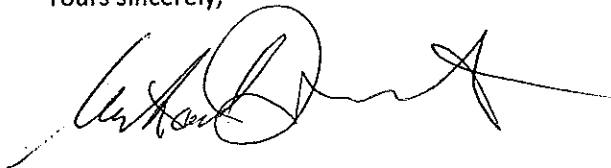
Over the past six years Energy Response has been active in three electricity markets as an aggregator of Demand related services for reserve capacity, network support, wholesale energy price hedging, frequency control and other services. Our experience as a Demand Side Management (DSM) aggregator therefore affords us an opportunity to compare the WEM with the other two markets (ie the National Electricity Market (NEM) and the New Zealand Electricity Market (NZEM)).

Using the amortised value of a 160MW open cycle generator and its associated costs is a most sensible approach to setting the MRCP. The process undertaken by the IMO is independent of the market, is transparent and meets all the WEM objectives, leading to a reasonable pricing outcome for reserve that is closely reflective of the cost of building reserve capacity, whether by power station or customer plant (for DSM use).

The MRCP process is successful as it has provided a comfortable cushion of reserve, whereas most other electricity markets have struggled to meet reserve requirements. Reserve capacity from DSM will be all the more important as there is an ever greater reliance on renewable energy.

While the existing reserve cushion is substantial we should be aware that the WA load is growing very quickly and therefore the cushion can become critical for WA to meet its future growth targets.

Yours sincerely,



Michel Zammit
Managing Director

Energy Response Pty Ltd (ABN 49 104 710 278)
Level 1, 250 Queen Street, Melbourne VIC 3000

www.energyresponse.com