



INDEPENDENT
MARKET
OPERATOR

Wholesale Electricity Market – Submission to Procedure Change Proposal

PC_2012_08: Changes to Market Procedure for Maximum Reserve Capacity Price

Submitted by:

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Submission

1. Please provide your views on the Procedure Change Proposal, including any objections or suggested revisions:

Verve Energy has reviewed the proposed amended Market Procedure for Maximum Reserve Capacity Price (Market Procedure) and wishes to make the following observations.

Step 2.9.7(h) of the Market Procedure requires that:

The IMO must determine the methodology to estimate the DRP, which in the opinion of the IMO is consistent with current Australian accepted regulatory practice”.

This statement is supplemented by the following foot note:

Given observed issues with Bloomberg data, the ERA adopted an alternative ‘Bond-Yield Approach’ to establishing the DRP in its Final Decision on revisions proposed by WA Gas Networks (WAGN) to the access arrangement for the Mid West and South West gas distribution systems. It is understood that WAGN is appealing the use of this method to the Australian Competition Tribunal. Pending the outcome of the appeal, and if the ‘Bond-Yield Approach’ were to become accepted Australian regulatory practice, the IMO intends to amend this Market Procedure.

Verve Energy notes that in June 2012 the Australian Competition Tribunal broadly upheld the 'Bond-Yield Approach' methodology. As such, Verve Energy considers that the Market Procedure should be amended to reflect this.

Step 1.2.2 of the Market Procedure notes that references to particular clause of the Wholesale Electricity Market Rules (Market Rules) are current as of 1 September 2012, Verve Energy considers this could be updated to refer to the most recent version of Market Rules (1 November 2012).

Step 1.3.1 of the Market Procedure refers to the parties that the procedure applies to. At the 27 November 2012 Independent Market Operator (IMO) Procedure Change and Development Working Group, the IMO noted that it had recently adopted a new standard step 1.3.1¹, whereby reference is made to clauses 2.9.6, 2.9.7 and 2.9.8 of the Market Rules as opposed to listing the specific entities/Rule Participant class which the procedure applies to. Verve Energy suggests that the IMO update this clause to follow this convention.

New step 2.1.1(g) contains a superfluous open bracket.

2. Please provide an assessment whether the Procedure Change Proposal is consistent with the Market Objectives and the Wholesale Electricity Market Amending Rules.

Verve Energy has not undertaken an assessment of the Procedure Change Proposal against the Wholesale Market Objectives.

3. Please indicate if the Procedure Change Proposal will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.

Verve Energy would not require any changes to its IT or business systems, nor incur any organisation costs as a consequence of adopting the changes (either as proposed by the IMO or amended as suggested by Verve Energy).

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

Verve Energy does not need to undertake any actions to implement this Procedure Change Proposal.

¹ See PC_2012_09 Market Procedure for Determining Loss Factors.