

Our Ref: DM # 3502168
Enquiries: Jacinda Papps
Telephone: (08) 9424 1917
Facsimile: (08) 9424 1922



18 December 2012

Independent Market Operator
PO Box 7096
Cloisters Square
PERTH WA 6850

Attention: Greg Ruthven, Manager, System Capacity

Email: imo@imowa.com.au

Dear Greg

INVITATION FOR SUBMISSIONS: DRAFT REPORT – MAXIMUM RESERVE CAPACITY PRICE FOR THE 2015/16 CAPACITY YEAR

Thank you for the opportunity to comment on the Draft Report for the Maximum Reserve Capacity Price (MRCP) for the 2015/16 Capacity Year.

Verve Energy wishes to make the following observation in relation to the methodology used to determine the MRCP.

As part of the submissions process on the Five-Yearly Review of the Methodology and Process for Determining the MRCP (PC_2011_06) Verve Energy noted a concern that the non-inclusion of an adjustment for Forced Outage rates in the MRCP formula could have a serious financial impact, even for plants with a relatively low Forced Outage rates. Verve Energy's full submission on this issue is available on the Independent Market Operator's (IMO) website¹.

In response to this concern the IMO noted that:

"...an allowance for Forced Outages should be reconsidered in the future, based on analysis of market data following the implementation of any changes to the Reserve Capacity refund regime, which are expected to be significant..."²

Verve Energy is aware that, as part of the Reserve Capacity Mechanism Working Group's deliberations, there has been an in principle agreement regarding the concept of adopting a dynamic refund mechanism.

¹ See: www.imowa.com.au/PC_2011_06

² Pgs 33 - 34 of 74, Final Procedure Change Report (PC_2011_06).

As such, Verve Energy requests that the IMO add a review of "the potential inclusion of an adjustment for Forced Outages in the MRCP calculation" into its work plan. Verve Energy requests that this review to commence six months after the implementation of a dynamic refund mechanism.

Thank you again for the opportunity to comment. Should you require any additional information please contact me on (08) 9424 1917 or via email at jacinda.papps@verveenergy.com.au.

Yours sincerely



JACINDA PAPPS
SENIOR REGULATORY ANALYST