

RESPONSE TO VERVE ENERGY'S SUBMISSION ON RC_2007_22

Verve Energy's submission on this rule change proposal was generally supportive of the view that a fixed ten-year term for Network Control Service Agreements was too inflexible, and that this prevents the optimum outcomes in the balance between network augmentation and the ability to delay capital expenditure in favour of alternative solutions.

Despite this, Verve Energy noted the ability for a supplier of local generation to enter into a Dispatch Support Agreement directly with the local network operator. Verve Energy expressed its long-held view that ancillary services, particularly dispatch support, are best negotiated directly between the supplier and receiver of the service in question, and that the market operator's involvement in that arrangement may be inefficient and unnecessary.

That being the case, Verve Energy proposed that the Network Control Service Provisions under the Market Rules could be dispensed with and that Dispatch Support Agreements could be the exclusive mechanism for dealing with network control services. Verve Energy suggested that a further alternative might be for the shorter-term arrangements to be covered by a Dispatch Support Agreement with the Network Control Service Agreement kept at ten years to accommodate the establishment of major generation solutions which significantly delay, or even circumvent, major capital outlay on network augmentation.

Verve Energy concluded its submission by saying that it supported the rule change as proposed, but believed that there might be a more efficient way to achieve the desired change.

The alternative changes that Verve Energy suggested for consideration, including dispensing with Chapter 5, are of a magnitude that could not have been properly dealt with by the Fast Track rule change process. That being the case, and in light of Verve Energy's overall support for the rule change, the submission has not changed the IMO's decision to proceed with the rule change in the form proposed by Western Power.

The IMO also notes that Western Power (System Management) already has the ability to enter into a Dispatch Support Agreement without the involvement of the IMO.