
Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2008_23 – LNG to be added to Liquid Fuel Definition

Submitted by

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Submission

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

Verve Energy agrees that LNG has the potential to provide cost-effective electricity production and could contribute to improved reliability of supply in the SWIS. Furthermore, to the extent that LNG is not economically viable as a non-liquid declared fuel source, it is considered that the current market rules present a barrier to entry of LNG that is to the overall detriment of the market. Verve Energy therefore supports the proposed rule change on the basis that it better facilitates achievement of the Market Objectives.

Verve Energy notes however that the proposal does not address potential issues and inefficiencies created by the inclusion of lower-cost distillate alternatives, such as LPG and LNG, in the liquid fuel definition. These include:

- the requirement for System Management to dispatch Verve Energy facilities in balancing when lower-cost IPP generation may be available; and
- the increased potential for Market Generators to extract unreasonable profits based on the higher Alternate Maximum STEM Price, the absence of SRMC pricing obligations on all participants and adequate competition in the fuel segment.

Verve Energy believes these issues could be adequately addressed via the introduction of a third fuel type with an associated price cap, or preferably, by introduction of an improved balancing regime, removal of the Maximum STEM Price and/or imposition of SRMC based pricing obligations

on all market participants, including in balancing. Given that such changes would be significantly more complex and encompass broader considerations than simply the definition of LNG, Verve Energy considers they would be best address via a separate rule change proposal.

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

Verve Energy agrees with the IMO's draft assessment that the proposal will better facilitate the achievement of Market Objectives (a), (c) & (d). However, Verve Energy believes the objectives could be further facilitated through additional amendments to the existing balancing and pricing provisions.

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.

Verve Energy has not identified any significant IT or business system costs associated with this proposal.

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

Not applicable.
