
**Wholesale Electricity Market
Rule Change Proposal Submission Form**

**RC_2010_25 Calculation of the Capacity Value of Intermittent
Generation – Methodology 1 (IMO)**

Submitted by

Name:	Andrew Everett
Phone:	(08) 94241836
Fax:	(08) 94241922
Email:	andrew.everett@verveenergy.com.au
Organisation:	Verve Energy
Address:	15 -17 William St Perth WA 6000
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Submission

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

In its first submission, Verve Energy noted the difficulty that the Renewable Energy Generation Working Group (REGWG) had in reaching a conclusion on this issue and supported the notion that it was incumbent on the IMO to take on the responsibility of making a determination to resolve the matter. It was Verve Energy's view that such determination should be particularly cognisant of System Management's position as it, in managing system security, is the primary protagonist and potentially exposed by an inappropriate outcome.

Given the significantly disparate views expressed by Market Participants during the first round of consultation, it is understandable that the IMO felt compelled to seek further advice on the proposed methodology. Despite contrary views expressed by some participants at the 8 September 2011 workshop, Verve Energy considers the retention of sapere research group to conduct additional analysis to be an appropriate decision. In addition, the quality and focus of sapere's review was such that there is now much greater clarity around the reasoning behind the proposed resolution.

The proposed solution, hopefully coincidentally, appears to be a good compromise and provides an appropriate outcome for both wind and solar thermal generation.

It is noted however that the methodology is still significantly impacted by a lack of data to the extent that 'clustering' results in excessive bias. sapere's solution of purposely selecting Trading Intervals from different days (effectively ignoring the actual top Trading Intervals) is a reasonable position to take in the short term but this aspect of the methodology should be reviewed when it is determined that sufficient data has been collected to allow unconstrained selection of the top Trading Intervals.

If a decision is taken to accept and proceed with the proposed methodology, IMO should prescribe a date at which the continuing suitability of the methodology is formally reviewed.

Verve Energy considers that resolution of this matter is long overdue and supports the methodology proposed by sapere.

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

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.

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