



INDEPENDENT  
MARKET  
OPERATOR

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## Wholesale Electricity Market Submission to Rule Change Proposal

RC\_2013\_20

### Changes to the Reserve Capacity Price and the Dynamic Reserve Capacity Refund Regime

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#### Submitted by

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<b>Date submitted:</b>	24 February 2013

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#### Submission

Submissions for Rule Changes should be submitted to:

##### Independent Market Operator

Attn: Group Manager, Development and Capacity

PO Box 7096

Cloisters Square, Perth, WA 6850

Fax: (08) 9254 4399

Email: [market.development@imowa.com.au](mailto:market.development@imowa.com.au)

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

The IMO along with industry participants conducted an extensive review of the Reserve Capacity Price and the Reserve Capacity Refund Mechanism.

ERM is supportive of the rule change proceeding as per the recommendations of the independent economic consultant. The proposal has been well considered through a lengthy period of consultation.

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ERM has noted in various forums regarding the proposal that the revised pricing mechanism could have a steeper slope to make the RCP better reflect market conditions and to incentivise bilateral contracting. However, ERM understands the hesitation in the market for such a large change.

The changes proposed are an improvement on the current pricing mechanism and better achieve the market objectives.

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

ERM assesses the changes to the RCP formula as better achieving WEM Objectives (a) and (d) by having a mechanism that better reflects pricing in a true market compared to the existing pricing formula.

ERM assesses the changes to the refund mechanism to one of dynamic as opposed to static and to recycling to generators as improving the achievement of WEM Objectives (a), (b) and (d).

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**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.**

There will be some settlement changes but the effect is not material.

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

One month

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