

The background of the lower half of the page is a photograph of a wind farm and power lines, overlaid with a semi-transparent blue filter. On the left, several white wind turbines are visible, with their blades extending outwards. On the right, a tall, lattice-structured power line tower stands prominently. The overall scene is set in a hilly, open landscape.

Review of Margin_Peak and Margin_Off-Peak – Market Evolution Program

**Invitation to Provide
Submissions on the Draft
Assumptions Report**

Date: 23 January 2012

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DOCUMENT DETAILS

Report Title: Review of Margin_Peak and Margin_Off-Peak – Market Evolution Program – Invitation to Provide Submissions on the Draft Assumptions Report

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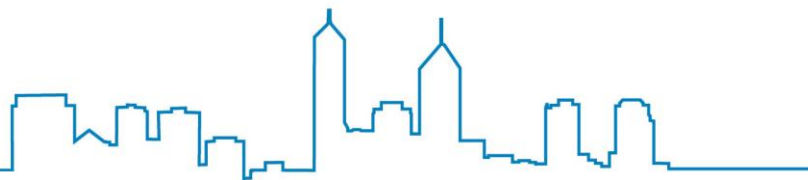
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1. BACKGROUND

The Wholesale Electricity Market (WEM) Rules (Market Rules) currently require the Economic Regulation Authority (ERA) to determine values for the parameters Margin_Peak and Margin_Off-Peak for each financial year, in accordance with the methodology set out in clause 3.13.3A(a) of the Market Rules. Under clause 3.13.3A(a), the Independent Market Operator (IMO) must submit a proposal for these values to the ERA by 30 November each year for the following financial year. In compliance with the Market Rules the IMO submitted a proposal to the ERA for the 2012/13 financial year on 30 November 2011.

The Market Evolution Program (MEP) Rule Change Proposal: Competitive Balancing and Load Following Market (RC_2011_10) proposes significant changes to the provision of Load Following Ancillary Services (LFAS) in the WEM¹. These changes, which have a proposed implementation date of April 2012, require the determination of alternative margin values as the availability payments made to Verve Energy will no longer include compensation for the provision of LFAS.

The current Market Rules do not provide the necessary heads of power for the determination of margin values for the new market arrangements, and the proposed Amending Rules for RC_2011_10 will not commence in a timeframe that supports the usual determination process (where the ERA determines margin values for a financial year by 31 March prior to the start of that financial year, after consideration of a proposal submitted by the IMO the previous November). To ensure that appropriate margin values are available from the commencement of the new Balancing and LFAS Markets, the IMO is working with the ERA to determine margin values to apply for two periods:

- from the commencement of the Balancing and LFAS Markets until June 2012; and
- the 2012/13 financial year.

These values will be published on the IMO web site and will apply for the relevant periods in accordance with clause 3.13.3AB of the proposed Amending Rules for RC_2011_10.

The IMO has engaged Sinclair Knight Merz (SKM MMA), an independent consultant, to provide an independent assessment of these margin values. SKM MMA provided similar assistance to the IMO and the ERA for the 2009, 2010 and 2011 Reviews.

SKM MMA has prepared a draft Assumptions Report outlining the methodology and input assumptions proposed for this Review. The public version of this report, which excludes confidential Market Generator details, is available on the IMO website.

The IMO also proposes to consult directly with the relevant Market Generators over the next 2-3 weeks, to refine the confidential input assumptions required for Scheduled Generators operating in over the review periods. In particular, the IMO will be seeking input from Market Generators on their expected involvement in the new LFAS Market over the period from April 2012 to June 2013.

¹ For details of the Rule Change Proposal refer to the following webpage: http://www.imopwa.com.au/RC_2011_10



2. INVITATION FOR SUBMISSIONS

The IMO invites all sectors of the Western Australia energy industry to either:

- request a meeting to consult directly with the IMO and SKM MMA during the submission period; or
- make written submissions

on this draft Assumptions Report.

The submission period is 13 Business Days from the publication date of this report. Submissions must be delivered to the IMO by **5pm (WST) on Friday 10 February 2012**.

Requests for direct consultation with the IMO and SKM MMA

Interested parties wishing to consult directly with the IMO and SKM MMA on this draft Assumptions Report must contact the IMO by email (market.development@imowa.com.au) by **5pm (WST) on Monday 30 January 2012** to arrange an appropriate meeting time during the submission period.

Written Submissions

Written submissions should:

- clearly address any issues that interested parties consider relevant to this review; and
- provide any supporting evidence or calculations (if appropriate).

Please note that the IMO's usual practice is to make all submissions public. If confidential information is provided in a submission as supporting evidence, it must be clearly marked as confidential. Any confidential information will be excluded when the submission is made public.

The IMO prefers to receive written submissions by email to:
market.development@imowa.com.au

Written submissions may also be sent to the IMO by fax or post, addressed to:

Independent Market Operator
Attn: Group Manager, Market Development
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