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|     | Ky Cao   |
| - n | 08 9420 0300   |
|     | 08 9474 9900   |
|     | <a href="mailto:k.cao@perthenergy.com.au">k.cao@perthenergy.com.au</a> |
| n n | Perth Energy   |
| A   | Unit 3, 77 Mill Point Road, South Perth WA 6151                        |
|     | 30 March 2010  |

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Currently, the Market Rules prescribe that the Economic Regulation Authority (the ERA) must review the parameters "Margin\_Peak" and "Margin\_Off-Peak" once every three years. These parameters essentially set the level at which Verve Energy (and in theory other generators) are paid for providing the ancillary service of spinning reserve.

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Verve Energy has proposed to change the Market Rules so that the ERA is required to review the parameters "Margin\_Peak" and "Margin\_Off-Peak" annually instead of once every three years.



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Perth Energy agrees with Verve Energy that the parameters that are used to effectively set the payment levels for providing spinning reserve should be reviewed more frequently than every three years as is currently the case. A more frequent review of these parameters will help ensure more accurate cost recovery for the provision of this service. However, in an environment where ancillary service peak parameters are reset annually and as such the volatility of ancillary services costs faced by Market Participants may potentially increase, it is essential that all generators who wish to offer such services are able to do so – providing themselves with an opportunity to hedge these costs in639(e)12.1957( )-4.77687(t)-4.77687(h)1.3196289



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