

NOTICE

APPROVAL OF THE MAXIMUM RESERVE CAPACITY PRICE UNDER THE WHOLESALE ELECTRICITY MARKET RULES

On 11 January 2006, as required under clause 4.16.7 of the Wholesale Electricity Market Rules (WEM Rules), the Independent Market Operator (IMO) submitted to the Economic Regulation Authority (Authority) a final report seeking the Authority's approval for a revised maximum reserve capacity price for the 2008/09 reserve capacity year.

Under clause 2.26.1 of the WEM Rules, the Authority is required to assess the maximum reserve capacity price proposed by the IMO and, in deciding whether to approve the proposed price, must consider:

- whether the revised value of the maximum reserve capacity price proposed by the IMO reasonably reflects the application of the method and guiding principles described in clause 4.16; and
- whether the IMO has carried out an adequate public consultation process.

The IMO published a draft report on 21 December 2005, which proposed revising the maximum reserve capacity price to \$123,000/MW, and invited interested parties to make submissions by 6 January 2006.

The IMO considered public submissions and formulated a final report which recommended that the maximum reserve capacity price be set at \$122,500/MW. The final report was submitted to the Authority accompanied by each submission received during the public consultation process, a consultancy report prepared by Sinclair Knight Merz and the model used to derive the valuation.

The Authority has determined that the requirements of clause 2.26.1 of the WEM Rules have been satisfied as the revised value of the maximum reserve capacity price proposed by the IMO reasonably reflects the application of the method and guiding principles described in clause 4.16 and the IMO has carried out an adequate public consultation process. The Authority therefore approves the proposed maximum reserve capacity price of \$122,500/MW for the 2008/09 reserve capacity year.

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