



INDEPENDENT  
MARKET  
OPERATOR



## PRC\_2014\_05

Reduced Frequency of Determining the Energy Price  
Limits and Maximum Reserve Capacity Price



## Overview of Changes

	Current	Proposed Changes
Methodology review	EPL - none MRCP - 5 yearly	EPL - 5 yearly MRCP - 5 yearly
Price review EPL and MRCP	Annually	5 yearly Annual indexation to PPI
In-period price review	Not required	For significant change in price(s)
Indexation of Alternative Maximum STEM Price	-Yearly indexation of non fuel costs to the CPI -Monthly indexation of the fuel costs to oil price	- Yearly indexation of non fuel costs to PPI (per other prices) - Monthly indexation of fuel costs to oil price

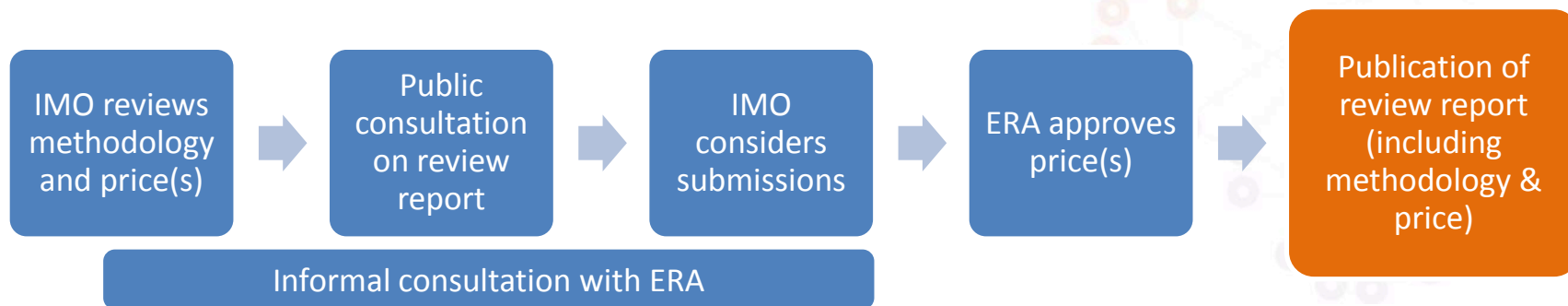


# Move to Five Yearly Review

## Why?

- Reduce consultant costs of \$500,000 every five years and IMO staff effort
- Reduce costs for ERA and Market Participants
- Increase regulatory certainty

## How?





# Annual Indexation

## Why?

- To account for regular movements of costs in the sector

## How?

- Annual indexation of the price(s) to the Producer Price Index
- For the Alternative Maximum STEM Price only non fuel costs



# Monthly Indexation

## Why?

- To account for the volatility in the oil price

## How?

- Consistent with current approach
- For the Alternative Maximum STEM Price monthly indexation of fuel costs to the Net Ex Perth Diesel Terminal Gate Price



## Why?

- To eliminate the risk that the prices become un-representative of the input parameters

## How?

- In-period review to account for a change in an input parameter leading to a significant sustained change in price(s)
- Principle based approach – impossible to cater for all scenarios
- Could include examples to provide guidance