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**Government
of South Australia**

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Adjunct Professor Ian C Woodward
Commissioner of the Reliability Panel
The Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Adjunct Professor Woodward

I wish to take the opportunity to make a submission on behalf of the South Australian Government on the Exposure Draft Rule and Guidelines for NEM Reliability Settings for Reliability and Emergency Reserve Trader (RERT) Flexibility and Short Term Reserve Contracts.

I support the proposed short term RERT as an important step forward by introducing more flexible arrangements to call for reserve on short notice in order to minimise interruptions to the electricity supply. The load shedding events of 29 and 30 January 2009 in Victoria and South Australia clearly demonstrate the need for such arrangements.

While improved flexibility in RERT arrangements are important, they should be activated as a last resort measure following consultation with jurisdictions and after all available market supply and demand measures have been taken. It is equally important that the expected benefits of using RERT in terms of improved customer reliability exceed the costs of its activation. It would be beneficial to incorporate these requirements in the guidelines.

The use of RERT may be further enhanced by removing the requirement that RERT is only activated for events of more than 24 hours notice. It would be unfortunate if demand side measures were available to manage interruptions to supply but were not activated due to an arbitrary time frame.

Reserve should be available where it is needed. To the extent that transmission constraints may restrict the flow or reserves during a short term RERT event, the Rules or Guidelines should require NEMMCO to take account of local conditions when selecting from the RERT panel.

The Reliability Panel's report suggests that the expiry and review dates of the short term RERT coincide with those of the current RERT. Rather than having an expiry date for RERT, consideration should be given to reviewing RERT when it is clear that appropriate market responses are demonstrated, particularly in light of the uncertainty arising from the significant transformation of the industry associated with climate change.

Thank you for the opportunity to make a submission and I trust this information is of assistance.

Yours sincerely



**HON PATRICK CONLON MP
MINISTER FOR ENERGY**

7 June 2009