



Major Energy Users Inc.

8 March 2013

Mr John Pierce
Chairman
Australian Energy Markets Commission
PO Box A2449
Sydney South NSW 1235

By email: john.pierce@aemc.gov.au

Dear Mr Pierce,

MEU Rule Change Proposal to Mitigate Generator Market Power

The Major Energy Users Inc (MEU) submitted a rule change proposal to the AEMC in November 2010 in regard to the issue of generator market power in the NEM. Since this time, we remain dissatisfied with the level of progress and consideration of this proposal in relation to possible rule changes. We are seeking an expedient release of the new consultation paper, based on the responses of the MEU and AER to the AEMC draft decision (issued June 2012).

The MEU has previously reported to the AEMC instances of the exercise of generator market power, including case study data to support the circumstance in the New South Wales & South Australian markets leading to inordinate rises in the pool market and retail electricity prices.

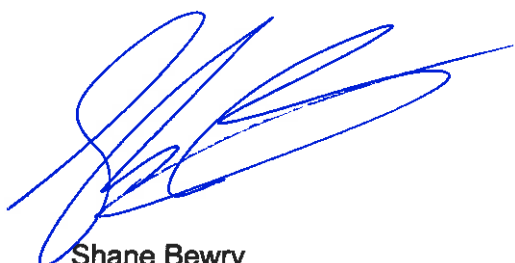
More recently, we have provided advice regarding the exercise of generator market power in Queensland and Tasmania. The unusual circumstances reported include off-peak pool market prices exceeding peak prices for the first half of 2012 (Tasmania).

We also note the following key points in support of our request:

- The AER's reported rejection of the conclusions reported in the AEMC's draft decision, and advice to broaden the analysis and include an assessment of the costs and benefits of possible solutions etc.
- The AMC's commitment to release a Consultation Paper in December 2012, however this has not been forthcoming.
- The AEMC draft decision (June 2012) provided a view that the retail price cap in South Australia would insulate residential and other small consumers from the impacts of generator market power. In December 2012, the SA Minister for Energy revoked the retail price cap on electricity from February 2013, now exposing all SA electricity consumers to the potential exercise of generator market power. As other retail price caps are removed, this protection will no longer apply to small energy users.

The AEMC has the statutory duty under the National Electricity Law to ensure the long term interests of consumers are maximised. Consistent with this objective, the MEU seeks a prompt and diligent response to our request for release of the consultation paper in relation to generator market power.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'Shane Bewry', written in a cursive style.

Shane Bewry
Chairman, MEU