

Our Ref: 45641; D11/688474
Contact Officer: Mark Wilson
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4 May 2011

Ms Tina Wong
Australian Energy Market Commission
POBox 42449
Sydney South NSW 1235

Dear Ms Wong

Response to Draft Rule Determination: Reliability Settings from 1 July 2010 (Ref: ERC0115)

The Australian Energy Regulator (AER) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) Draft Rule Determination on the National Electricity Amendment (Reliability Settings from 1 July 2012) Rule 2010.

The AER notes the AEMC's response to the issues raised in our submission to the Consultation Paper. We support the AEMC's proposal to require a four-yearly comprehensive review of the Reliability Standard and Settings, including indexation, to be undertaken by the Reliability Panel.

The AER continues to consider that there is need to review the Cumulative Price Threshold (CPT) since it does not provide an effective mechanism for managing financial risk in the National Electricity Market. The AEMC's review of the Application and Operation of Administered Price Periods provides a timely example of the issues associated with the current CPT mechanism—for instance, the potential for it to be manipulated by market participants. In light of these concerns, we suggest that the date for the first comprehensive review of the Reliability Standards and Settings continues to be 30 April 2012, as per the current Rules, rather than being postponed until 30 April 2014. This comprehensive review should adopt as its main area of focus the risk management role of the Reliability Standards and Settings.

If you have any questions in relation to this submission, please do not hesitate to contact Mark Wilson on (08) 8213 3419.

Yours sincerely



Michelle Groves
Chief Executive Officer