

A few
words.

12 July 2010

The Chairman
Australian Energy Market Commission
Level 16, 1 Margaret Street
SYDNEY NSW 2000

By email to submissions@aemc.gov.au

Dear Chairman,

Timing for Spot Price Reporting (AEMC Reference: ERC0111)

AGL welcomes the opportunity to provide input to this rule change.

As the AER notes the requirement to report on the circumstances where the spot price exceeds \$5000/MWh arose from a concern expressed by the ACCC in 2001 that generators would have increased incentive to offer their plant strategically to the market and force prices up as a consequence of an increase in VoLL to \$10,000/MWh.

Analysis of these events from Jan 2001 until now has demonstrated that the original concern was misplaced as these high priced events have proven to be primarily due to a tight supply demand balance and are an essential part of the operation of the market.

AGL suggests that the AEMC consider other ways of resolving the problem addressed by this Rule change which, because most of these events occur in Q1 and Q4, appears to be an AEMC resourcing issue, such as:

- considering whether the production of these reports is still relevant given the maturity of the market and stakeholders, or
- since the reports are based on market incident reports by AEMO whether or not a filtering process could be applied by the AER to select only those events that appear not to be just the normal operation of the market, ie more like a random check of some of the events.

In AGL's view, if these reports are to be continued, they should be produced in a timely manner. Increasing the time to report means that the relevance to the market and to stakeholders is severely diminished and the significant effort and resources the AER devotes to this purpose is wasted.

Should you have any questions in relation to this submission, please contact Roger Oakley, Manager Wholesale Markets Regulation, at roakley@agl.com.au or on (03) 8633 7665.

Yours sincerely,



Alex Cruickshank
Head of Energy Regulation