



14 August 2008

Dr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Via email: submissions@aemc.gov.au

Dear John

**DRAFT DETERMINATION NATIONAL ELECTRICITY AMENDMENT
(PERFORMANCE STANDARD COMPLIANCE OF GENERATORS) RULE 2008**

Roaring 40s welcomes the opportunity to comment on the Draft Determination National Electricity Amendment (Performance Standard Compliance of Generators) Rule 2008 (The Proposed Rule).

The importance of an effective and efficient generator performance regime is clearly recognised and fully supported by Roaring 40s. Such a regime is considered critical to meeting the needs of electricity users for efficient and reliable supply. This issue will be all the more topical in the following years as a large scale deployment of diverse renewable generation technologies takes place in response to the Federal Government greenhouse gas abatement policies.

The Proposed Rule has been assessed as generally improving the effectiveness and efficiency of the performance standards management regime and Roaring 40s supports the majority of provisions of The Proposed Rule. Roaring 40s does however have concerns about the proposed role of guidelines for generator performance standard compliance plans.

In principle Roaring 40s supports regulation that is focussed on creating incentives that encourage desired outcomes.

Participants are required to meet generator performance standards and there is significant incentive to do so.

Roaring 40s are concerned that the development of guidelines for generator performance standards compliance plans has many of the characteristics of prescriptive regulation.

Implicit in this approach is the assumption that the Reliability Panel (or its consultants) is able to achieve a superior approach to network owners, NEMMCO and owners of the plant all of whom have extensive day to day experience with running large numbers of installations, often across a number of jurisdictions. The Panel does not face the incentives that participants face and as a result will come

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to different conclusions.

It is also logical to conclude that this approach would weaken the ability of the AER to take enforcement action against a party that has breached performance standards if that party has implemented and followed a compliance plan that was produced in accordance with "the guidelines". This is a generic problem that arises when a regulator takes on the role of defining "industry best practice" rather than leaving this task to industry.

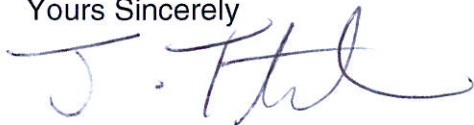
In conclusion, Roaring 40s believes there is a risk that an attempt to formally define industry best practice for generator performance standard compliance plans through guidelines issued by the Reliability Panel would establish a sub optimal approach to generator performance standard management, to detriment of both effectiveness and efficiency.

Roaring 40s suggest that the AEMC fully consider this risk in formulating the final Rule and suggest that the following mechanisms be included:

- Provisions to ensure NEMMCO examines and reports at length on the effectiveness of generated compliance plans and generator performance standard compliance in power system incident reports and;
- Provisions to promote "industry best practice" through reporting on generator performance standard breaches including detailed root cause analysis.

Thankyou for the opportunity to comment on this proposed Rule. Please call Andrew Jones (Market and Regulation Manager) on 0400 537 944 if you have any questions.

Yours Sincerely



John Titchen
General Manager Business Development