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19 September 2007

Mr Ian Woodward  
Chairman  
AEMC Reliability Panel  
PO Box A2449  
SYDNEY SOUTH NSW 1235

Dear Mr Woodward

**AEMC Reliability Panel: Comprehensive Reliability Review Second Interim Report, August 2007**

The Australian Energy Regulator (AER) welcomes the opportunity to comment on the Reliability Panel's Comprehensive Reliability Review Second Interim Report.

The AER reiterates its support for the Panel's finding that the NEM has performed well against the existing reliability standard, and is generally supportive of the proposals put forward in the Second Interim Report.

The AER notes that the Panel intends to address, in the final Comprehensive Reliability Review Report, the need to consider additional reliability mechanisms. As outlined in our submission to the First Interim Report, the AER considers that significant alterations to market design are not currently warranted. There are potentially serious costs in restructuring the market that should be carefully considered before abandoning a market design that appears to have generally worked well.

Industry concerns regarding the investment environment have not prevented a significant amount of private sector investment. For example:

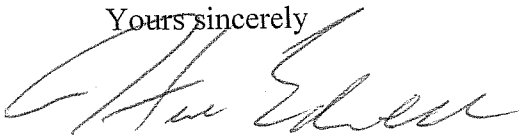
- TRUenergy's 440 MW gas generator at Tallawarra is scheduled for commissioning in 2008.
- Origin Energy has announced the construction of a 630 MW gas-fired power station in the Darling Downs region of Queensland, for commercial operation in 2010, and an expansion of its Quarantine gas plant in South Australia.
- Babcock & Brown and ERM Power have announced the development of a 600 MW gas fired generator near Wagga Wagga.

A number of the possible risks to future investment are unlikely to be sustained in the longer term. In particular, government policy in respect of greenhouse measures will be settled over time. Additionally the recent privatisation of Queensland energy assets, and the recommendation of the Owen Inquiry for privatisation of New South Wales energy assets, suggest that concerns of government intervention may ease over time.

In summary the AER considers that the incremental changes to the reliability mechanisms, as identified in the Second Interim Report, are an appropriate response to address reliability concerns in the NEM. More radical measures, at this stage, may not be warranted.

Thank you once again for the opportunity to comment on these matters.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Steve Edwell', written in a cursive style.

Steve Edwell  
Chairman