

20 July 2006

Dr John Tamblyn, Chairman
Australian Energy Market Commission
1 Margaret Street
Sydney NSW 2000

Recovery of Negative Inter-regional Settlements Residue

1. Westpac Energy is a registered market trader and financial intermediary in the National Electricity Market registering among the most active market risk management participants in OTC, Futures and SRA derivatives. Within its wider operations, Westpac has significant debt and equity interests in the Australian energy market. The following response represents the views of the Westpac Energy group (Westpac).

2. Westpac supports the AEMC's draft determination to approve the rule requested in the Rule proposal. Westpac does not have any further information to add on the technical nature of the proposal.

3. Westpac would prefer that the implementation be aligned with the tenor of the SRA product (i.e. specifically 1 September 2006) rather than beginning in the middle of a quarter, but a 1 November 2006 implementation is acceptable.

4. Westpac believes that the AEMC do not have to make a decision as to whether SRA participants should be given the option to surrender units. Whilst the AEMC can make a recommendation, the Settlement Residue Committee is the best forum for deciding how the transition should proceed.

5. Westpac agrees with the AEMC that re-orientation is an alternative rather than additional option. It is of Westpac's view that re-orientation should be rejected in preference to the reallocation of settlement residues. Snowy Hydro should not be allowed to cherry pick locational pricing when it suits them (i.e. full locational pricing at the Tumut node for north transfer due to the CSP scheme, partial nodal pricing for Tumut in the Southern direction due to the CSC scheme and an attempt to avoid the location price at the Murray node despite the fact that it is the regional reference node).

We welcome the opportunity to meet and discuss our submission in more detail. Feel free to contact me at (02) 8254 9130.

Regards

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