



7 September 2009

Dr John Tamblyn
Australian Energy Market Commission
AEMC Submissions
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Sydney South NSW 1235

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Dear Dr Tamblyn

**REFERENCE ERC 0082/3
DRAFT RULE CHANGE DETERMINATION – CAUSER PAYS FOR ANCILLARY
SERVICES TO CONTROL THE TASMANIAN FREQUENCY**

Aurora Energy Tamar Valley Pty Ltd (AETV) provides this submission in response to the Commission's draft Rule determination on the request by Hydro Tasmania to make a Participant Derogation concerning this subject.

AETV supports the Commission's determination not to make the proposed Participant Derogation.

In particular, AETV supports and respectfully agrees with the Commission's findings that the proposed Participant Derogation, if made, would:

- distort signals for investment in the Tasmanian electricity generation sector;
- restrict competition;
- impede the achievement of economic efficiency;
- create a barrier to entry;
- introduce a technological bias in the National Electricity Rules;
- create regulatory uncertainty; and
- be inconsistent with the existing causer pays principle,

as those findings are set out in the summary contained in the draft Rule determination and discussed in more detail in the body of the draft determination there is no need for AETV to expand any further.

AETV notes that the AEMC has invited comment on the Hydro Tasmania third submission (dated 17 July 2009) to the Commission. In response, I advise that AETV does not agree with the matters which are asserted in the late submission. However, given that, the Commission has already taken those matters into account in reaching its draft determination, as highlighted in section 2.4 of the draft Rule determination, AETV does not consider that it would be beneficial at this stage in the process to enter into a detailed rebuttal.

If the Commission would like to hear further from AETV as to the reasons why it disagrees with the assertions contained in the late submission (and particularly if the matters in the late submission would materially affect the Commission's final decision), AETV would be pleased to provide that further information.

AETV does note that in its late submission, Hydro Tasmania canvasses the issue of whether it does, or does not, have market power in relation to the FCAS market in Tasmania. AETV understands that the issue of market power is currently being comprehensively canvassed in other forums. As a result, AETV does not propose to address the market power issue in this submission.

AETV would like to re-iterate that Hydro Tasmania's proposed Derogation Rule change with supplementary submissions provides no further evidence that would contribute to achieving the national electricity objective. As a consequence, AETV is in full support of the AEMC draft Rule determination to not make the Participant Derogation proposed by Hydro Tasmania.

If you have any questions regarding the above please contact Shaun O'Loughlin on 0418 139 002 or shaun.oloughlin@aetvpower.com.au.

Yours sincerely



Michael Brewster
Chief Executive Officer