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Australian Energy Market Commission
PO Box a2449
Sydney South NSW 1235

Electronic Submission: www.aemc.gov.au

Dear Dr Tamblyn,

Cost recovery or “Other” Services directions ERC0090

The National Generators Forum (NGF) appreciates this further opportunity for submission on this issue, and in particular that this opportunity arises because the AEMC is open to the possibility of making a more preferable rule, including addressing the issue of classification of directions that was raised NGF.

We appreciate the evidence gathered by AEMC, and presented in section 2.4 and footnote 11 of the second consultation paper. This evidence supports our view that the “other” category of direction was provided as a “catch all” to ensure that compensation could be provided where the direction did not have the characteristics that were anticipated as the norm.

As is evident from our proposed definition, we consider that the “other” category is relevant where the need for direction goes beyond the provision of energy and/or market ancillary services.

It therefore appears that the evidence of intention that was gathered by AEMC supports the NGF view, and that the NGF proposal will lead to outcomes consistent with the expectations that NECA had in designing the current provisions.

The provisions for cost recovery in the case of direction for energy or a MAS show clearly that NECA believed that market customer should pay the costs in this case. On the other hand, the provisions for cost recovery for “other” directions appear to be deliberately as non-specific as possible while still retaining an orderly and predictable process.

This supports the concept that NECA did not envisage that this category would be much used, and could not form a clear view as to what class of participant might cause the need for such a direction or benefit from it.

In the NGF's view, if the other category is defined as we have suggested, its use will then as originally envisaged be confined to rare and unusual circumstances. In these cases the non-specific allocation of costs may be seen as the best possible outcome short of a comprehensive review of the circumstances of each direction. We are not proposing the introduction of such comprehensive reviews as we consider that the cost would likely outweigh the benefit.

This NGF view appears to align with the view that NECA took in 2002.

The additional evidence in relation to NECA intentions, as gathered by AEMC, has reinforced the NGF view that the classification of directions should be governed by a definition, with the effect of realising the intentions that NECA had in 2002. The NGF considers that these intentions remain appropriate.

If you have any questions in relation to this submission please contact Mr Ken Secomb at Hydro Tasmania on 03 9347 1942.

Yours sincerely



Malcolm Roberts
Executive Director