

Mr John Pierce
Chairman
Australian Energy Market Commission

31 January 2012

Dear Mr Pierce

Draft Rule Determination – National Electricity Amendment (Expiry of the Reliability and Emergency Reserve Trader (RERT)) Rule 2012 - ERC0132

The private electricity generators listed in the side bar write to express their concern and significant opposition to the Draft Rule Determination. As detailed in our previous submission:

The Reliability and Emergency Reserve Trader (RERT) has been the subject of numerous consultations where stakeholders have argued:

- the RERT (and previously the Reserve Trader) has not increased actual supply reliability in 10 years, making the case that its retention is not necessary;
- the size of any possible closure of large scale base-load plant in the near term due to climate change policy, would dwarf any capacity which AEMO will be able to procure under the long-, medium- or short-term RERT mechanisms;
- AEMO has very extensive powers to direct participants when system security is at risk. These powers can be used to address shortfalls as a last resort;
- by keeping the RERT, the market marginalises the activities of non-active participants into a reserve market;
- it creates an inconsistency in the implied value of achieving a secure operating state;
- the RERT creates additional costs, is not transparent and has the potential to distort the market; and
- there is an absence of compelling evidence that the RERT actually increases reserves.

The listed private generators continue to stand by the above arguments, noting the lack of interest in the most recent RERT tender process and question whether the advocates for retention of the RERT fully comprehend the inability of the RERT to manage any large scale reliability issues including potential plant closure in coming years.

The listed private generators note that under the Clean Energy Future legislative package, processes are being put into place:

AGL Energy

Alinta Energy

Energy Brix

Intergen

International Power
GDF – Suez

LYMMCO

NRG Gladstone

Origin Energy

TRUenergy

PO Box 5003
Alphington
Victoria 3078

- to assist coal-fired electricity generators to adjust to the carbon price signal;
- for generators to be able to draw on the Energy Security Fund for cash assistance; and
- for the establishment of the Energy Security Council to advise on possible support measures to address energy security risks.

On this basis, it should be expected that any Contract for Closure will phase the closure of affected plant and is likely to incorporate significant obligations to ensure system security and that the provision of loans for financially impacted generators, not the RERT, is a more tangible solution to potential generator failure.

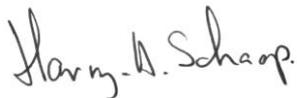
The listed private generators are dismayed by the Commission's failure to adopt the recommendations of its own Reliability Panel to have the RERT role expire on 30 June 2013 and instead drawing out the RERT functions for yet a further four year period to 30 June 2016.

The private generators question the transparency of this about-face and the validity of the arguments used for its justification.

Given every review of the RERT in the past has concluded it should be discontinued, including the most recent, and yet it still remains in place, there seems little value in urging the Commission to adopt the Reliability Panel's proposal and terminate the RERT on 30 June 2013. This is despite widespread support for its termination.

For further information please refer to earlier submissions on this matter.

Yours sincerely

A handwritten signature in black ink that reads "Harry A. Schaap". The signature is written in a cursive, slightly slanted style.

Harry Schaap
For the listed Generators