

31 October 2008

Dr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box A2449
SOUTH SYDNEY NSW 1235

By email: submissions@aemc.gov.au

Dear Dr Tamblyn,

Compensation Arrangements Under Administered Pricing - Draft Rule

The Energy Retailers Association of Australia (the Association) welcomes the opportunity to comment on the Compensation Arrangements Under Administered Pricing draft rule.

The Association believes the Compensation Arrangements under Administered Pricing draft rule will remove much of the uncertainty in the determination of compensation to generators during an administered price period (APP). This will be achieved by ensuring that compensation to Scheduled Generators during an APP is based on their direct generating costs, rather than on their offer prices.

We note that the Commission has accepted the proposal by AGL and TRUenergy that the direct costs for energy limited plant will need to include the opportunity costs of that plant using water during APP events rather than later, higher priced periods. This is supported. We are concerned, however, that the proposed process is open ended, leaving some uncertainty in costs, which the ERAA was trying to avoid. We therefore consider that the commission should develop a clear process for calculating opportunity costs.

Given there is a material probability of an APP being triggered in the near future the Association believes EnergyAustralia's Rule should be implemented as soon as possible.

Should you require any further information in relation to this matter please feel free to contact me on (02) 9437 6180.

A handwritten signature in black ink, reading "Cameron O'Reilly". The signature is written in a cursive style with a large, stylized 'O' and 'R'.

Cameron O'Reilly
Executive Director
Energy Retailers Association of Australia