



EnergyAustralia

16 October 2015

Mr John Pierce
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Australian Energy Market Commission

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Dear Commissioners

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Lodged electronically: www.aemc.gov.au (ERC0187)

AEMC 2015, Compliance with dispatch instructions, Consultation Paper, 17 September 2015

We are one of Australia's largest energy companies with over 2.5 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. We also own and operate a multi-billion dollar portfolio of energy generation and storage facilities across Australia, including coal, gas, and wind assets with control of over 4,500MW of generation in the National Electricity Market.

We do not believe a major problem has been identified. The issues around plant cycling that have been identified can be managed by rebidding to reflect operating costs. Prescribing the flexibility in AEMO's procedures could allow too much leeway for generators to diverge from targets.

The causer pays methodology offers a financial incentive to meet dispatch targets but will be ineffective at times of high prices. Revenue from the energy market at these times will outweigh the liability from causer pays FCAS cost recovery.

The addition of 'reasonable endeavours' to 4.9.8(a) which defines a generator's obligations to meet dispatch targets is a potential option to address the issue of the strict conformance to targets required by the rules. However we are concerned about the impact of loosening obligations during times of high prices or when constraints are binding.

Participants require the flexibility to run generation within reasonable limits of its physical capabilities without the need for excessive investment for marginal improved compliance. Whether it should remain at the AER's discretion or outlined in the rules is unclear.

A redrafting of the rules requires reinterpretation by the market and has the potential to change behaviour. More definitive guidance from the AER may provide participants with the comfort they require. The AER should not be hamstrung in pursuing enforcement action for abuse of the rule in question.

If you any have further questions please contact me on (03) 8628 4518 or at Ben.Hayward@EnergyAustralia.com.au.

Regards

A handwritten signature in black ink, appearing to read 'Ben Hayward', written in a cursive style.

Ben Hayward

Industry Regulations