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Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

By electronic submission: www.aemc.gov.au

Tuesday, 14 December 2010

Dear Sirs,

Draft Amended Compensation Guidelines EPRoo23

International Power (IPRA) appreciates the opportunity to comment on the draft amended guidelines. IPRA has a particular interest in this matter since our Synergen Power asset was involved in the initial application of the current guidelines.

IPRA contributed to the NGF submission on this matter, and supports all aspects of that submission. This separate IPRA submission covers a number of additional matters where an NGF consensus was not sought due to lack of time, or was not reached in time.

1.1 Rebids for the purpose of cost minimisation

During a period when a relevant price cap or floor applies, a plant may be subject to intermittent dispatch if offered with a constant price structure. This may result in unnecessarily high costs in relation to that plant's operation because of costs associated with each spot start cycle.

Such plant cycling has other undesirable consequences for both the participant and for the reliability of supply in that the plant may fail to re-start after a shutdown.

It is therefore rational for the operator of plant likely to be subject to such cycling to rebid the pricing structure to avoid stop/start cycles.

The guidelines should recognise this possibility and provide that where such rebidding has reduced the total cost of operation of the plant during the price cap event, the fact of such rebidding should not adversely affect the claim for compensation.

1.2 Allocation of costs not specific to a trading interval

The operation of a plant during the period of a price cap or floor may incur some costs that relate to the whole period of operation and not to any specific trading interval within it. The most obvious example is start-up cost for a generator.

The calculation of compensation calls for an amount to be determined for each relevant trading interval, but gives no guidance on how costs that relate to the whole period of operation rather than to any specific trading interval should be treated in the calculation process.

We propose that such guidance should be added.

1.3 Confidentiality

Confidentiality of information provided to the AEMC in confidence is vital to ensuring that there is full disclosure by Registered Participants to the AEMC to support their claims. Disclosure of some confidential information (such as costs) could have significant implications on the competitive edge that a party may have in the National Electricity Market. While we agree that there should be appropriate disclosure of information to allow the public consultation process to work, it may be that the level of disclosure could be used to balance the competing requirements.

For example, information on direct costs could be reported in aggregate, identifying the nature of the cost items included in the aggregated number but not providing a detailed breakdown of the costs and the period to which they relate. We interpret that the last paragraph of section 10.1 on page 12 of the draft amended guidelines is alluding to this approach.

We also do not agree that the inability to disclose confidential information and the associated reduction in the level of public scrutiny should affect whether such information is given appropriate weight.

The scrutiny on whether the level of costs is appropriate or whether confidential information is relevant should be considered by the AEMC, in consultation with appropriate advisers.

We suggest that the draft amended guidelines be clarified in relation to these issues.

If you have any questions on this submission please call me on 03 9617 8300.

Yours sincerely,



Stephen Orr
COMMERCIAL DIRECTOR