



Dr John Tamblyn
Chairman
Australian Energy Market Commission
Level 16, 1 Margaret St.,
Sydney NSW 2000

Dear John,

**Proposed Rule Amendment regarding Dispatch of
Scheduled Network Services**

Thank you for the opportunity to make a submission on Hydro Tasmania's proposed rule amendment titled "Dispatch of Scheduled Network Services".

Aurora Energy is concerned that there could be impacts on the ancillary services market in Tasmania under the amendments proposed by Hydro Tasmania.

Hydro Tasmania's interpretation of clause 3.8.1(a) of the NER places the main emphasis on the basis of dispatch offers, but equally an interpretation of the same clause could emphasise that the main objective is to maximise the value of spot markets. It is clear that this clause is open to interpretation.

The proposed arrangement would enable Basslink to be dispatched in a manner similar to market generators, as opposed to being treated as an interregional connector that is dispatchable. This would eliminate the co-optimisation process between energy and frequency control ancillary services (FCAS) across Basslink, which would not be consistent with other interregional connectors.

Without co-optimisation, the available headroom between the dispatch offer and the link's flow limits would determine the total amount of FCAS available via Basslink. This would restrict a competitive market for these services in Tasmania and, as acknowledged by Hydro Tasmania may lead to transient increases in ancillary service prices.

Nevertheless Aurora Energy is sympathetic to Hydro Tasmania's concerns regarding the impact of counter price flows observed in the earlier months of Basslink operation. A prolonged period of counter price flow across any interregional connector is not a desirable market outcome. This particular issue is compounded with Basslink because of its specific design characteristics.

An alternative option to address high counter price flows across Basslink was published on NEMMCO's website in December 2006 titled "Review of Basslink Dispatch". The modelling undertaken by NEMMCO had a minor impact on the dispatch outcome, but a significant impact on the negative residue dollar value created from counter price flows.

Aurora Energy believes that this is a workable solution that needs to be considered by AEMC in response to Hydro Tasmania's proposal.

For further details, please do not hesitate to contact Shaun O'Loughlin on (03) 6237 3544.

Yours sincerely

Dr Peter Davis
Chief Executive Officer

26th March 07