

MCE

Ministerial Council on Energy

CHAIR
STANDING COMMITTEE OF OFFICIALS
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Dr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box H166
AUSTRALIA SQUARE NSW 1215

Dear Dr Tamblyn 

On behalf of the Ministerial Council on Energy (MCE) I wish to advise you of the outcomes from the 25 May 2007 Ministerial meeting, specifically in relation to the impact of the drought on the National Electricity Market.

As you would be aware, Ministers agreed to a work program encompassing a range of immediate and forward actions to manage the strategic policy implications of the drought for the National Electricity Market. As part of this work program Ministers requested the completion of two key pieces of work by July 2007, for consideration by the MCE in August 2007. Ministers requested that NEMMCO update its report, *'Potential Drought Impacts on Electricity Supplies in the NEM'*, utilising more recent data and the inclusion of additional measures taken by individual Jurisdictions.

Ministers also requested that the Australian Energy Market Commission (AEMC) Reliability Panel review and provide advice on the effectiveness of current market arrangements in managing generation input constraints, and to have this advice available for MCE consideration in August 2007.

The AEMC Reliability Panel is currently conducting a comprehensive reliability review, including a review of 'reserve trader' arrangements, and the final report is expected to be published on 26 July 2007. The SCO expects that the current deliberations will provide the basis for the advice requested by the MCE. The SCO notes that the current terms of reference may need to be broadened from its current focus on reliability to consider what, if any, improvements can be made to arrangements, including reserve trader, to strengthen the market's ability to manage input constraints. I am seeking your agreement to provide this advice by mid-July 2007 to enable its consideration by Ministers in August 2007.

Ms Marianne Lourey, Executive Director Energy, Victorian Department of Primary Industries, has been nominated as the SCO contact for the broader drought work. Should you require further information in relation to matters contained in this letter you can contact Marianne on 03 9655 8843 (to 15 June 2007), 0409 983041 or Marianne.lourey@dpi.vic.gov.au.

Yours sincerely



John Ryan
Chair, MCE Standing Committee of Officials
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