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Our Ref: ERCO239  
Your Ref: 64572-D18/140759  
Contact Officer: Scott Hall  
Contact Phone: 08 8213 3425

19 October 2018

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

Dear Mr Pierce 

**Submission on Draft rule determination: Generator three year notice of closure.**

We welcome the opportunity to respond to the AEMC's Draft Rule Determination: Generator Three Year Notice of Closure Rule. This submission is made following discussions between AER and AEMC staff.

As discussed in the Energy Security Board's (ESB) rule change request, the proposed rule change, based on one of the recommendations from the Finkel Review, is intended to provide time for replacement capacity to be built in the event that large electricity generators exit the market.

The AEMC's consultation paper (of May 2018) included examples of where large power stations had recently exited the market at short notice, including Northern and Playford B power stations in South Australia and the Hazelwood power station in Victoria.

A key feature of the draft rule determination is that a closure date can be brought forward earlier than the notified three year period if an event beyond the reasonable control of the generator has occurred, and where the occurrence of the event could not reasonably have been foreseen. This proposed provision is designed to safeguard those generators who need to exit at short notice where unforeseen circumstances arise.

An alternative approach the AEMC may like to consider is to allow Registered Participants to exit the market within the three year period only if the AER grants an exemption to do so. To provide clarity to the market on exemption criteria, we would be prepared to develop and publish guidelines in accordance with the Rules Consultation Procedures, thereby allowing relevant stakeholders the opportunity to input to the development process.

We think the advantage of this approach would be that the circumstances under which an exemption may be granted would be subject to expert scrutiny, allowing all relevant factors to be taken into account. Otherwise, if brought before a Court, the Rule would be subject to

the Court's legal interpretation, running the risk that the outcome of any potential enforcement action may not be in keeping with the original policy objective.

We would welcome the opportunity to discuss this submission with you. Please contact Scott Hall on (08) 8213 3425 if you would like to discuss any aspect of this submission.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Michelle Groves', with a long horizontal flourish extending to the right.

Michelle Groves  
Chief Executive Officer  
Australian Energy Regulator

Sent by email on: 19.10.2018