

7 February 2009

The Australian Energy Market Commission
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**PHYSICAL MARKET CAP TRIGGER RULE CHANGE (ERC0075)
CONTINGENCY ADMINISTERED PRICE PERIOD (CAPP)**

Thank you for the opportunity to make this submission.

We are quite concerned that this Rule would create another (in this case unnecessary and unwise) intervention in the market. Even more importantly it would reduce the current signals for both new investment in generation and for the development of a growing demand side response in the NEM. It therefore would seem to cut across the key elements of the NEM Objective and we do not support this proposed change.

In addition, the physical electricity supply is under some significant stress in its ability to meet the peaks in demand with sufficient reserve. Such a CAPP could well result in insufficient investment in supply side capacity and / or demand side capability. While it may reduce financial risk for existing Market Participants, it would almost certainly lead to risk of lower supply reliability and security (loss of physical ability to meet the demand at the period of the 'Contingency') and hence increase the risks for energy consumers who cannot pass their risk on to others.

Yours faithfully



Ross S. Fraser
Executive Chairman