

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

20 July 2012

AEMC REF: ERC0123

Dear Mr Pierce

Draft rule determination – Potential generator market power in the NEM

The Private Generators listed in the side bar appreciate the opportunity to comment on the Australian Energy Market Commission’s (AEMC) draft determination on Potential Generator Market Power in the National Electricity Market (NEM).

The impetus for this review was the rule change request lodged by the Major Energy Users’ Inc (MEU). The MEU rule change request sought to constrain the perceived exercise of market power by generators in the NEM.

In its submission to the AEMC Directions Paper on this matter the Private Generators argued, in summary, that:

- wholesale electricity prices remain competitive and, in some jurisdictions, are at levels which undermine financial viability for some generators;
- contract markets remain strong, mature and provide sophisticated risk management options to participants; and
- higher end use customer electricity prices are not being driven by wholesale energy price increases. In fact, climate change policies, renewable energy initiatives and network investment costs are the primary contributing factors to recent – and forecast – price rises.

The Private Generators note that, after completing considerable analysis and consultation, that the AEMC does not support the MEU rule change request.

We support this decision and note the AEMC’s conclusion that ‘there is insufficient evidence of the existence of substantial market power to warrant the introduction of a rule that restricts the dispatch offers of generators in the NEM’.

Further, we support the AEMC’s conclusion that such a rule change would potentially result in a number of perverse outcomes including:

- acting as a disincentive for new generators to enter the market; and
- reduce the long-term reliability of supply to consumers and increase prices as supply fails to keep pace with the growth in demand.

In conclusion, the Private Generators consider that the NEM continues to provide appropriate signals, and appropriate risk management mechanisms, to market

AGL Energy

Alinta Energy

Energy Brix

Intergen

International Power
GDF Suez

NRG Gladstone

Origin Energy

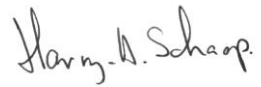
TRUenergy

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participants. That the AEMC has decided not to adopt the MEU's proposed rule change reflects this conclusion.

Should you have any enquiries regarding this matter please do not hesitate to contact me on 03 9499 4249 or 0413 623 043 or by email Harry.Schaap@tpg.com.au.

Yours sincerely

A handwritten signature in black ink that reads "Harry A. Schaap". The signature is written in a cursive style with a large initial 'H'.

Dr Harry Schaap
(on behalf of the listed generators)