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29 MAR 2007



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

26 March 2007

Dear John,

**Proposed Rule Change with regard to Efficient Dispatch of
Regulation Services**

Thank you for the opportunity to make a submission on Hydro Tasmania's rule change proposal titled "Efficient Dispatch of Regulation Services".

Aurora Energy agrees in principle with this proposal if it leads to a net reduction in the cost of Frequency Control Ancillary Services (FCAS) to consumers, whilst achieving the overall NEM objective.

While supporting efficient combination of Regulation and Delayed FCAS dispatch, we would like to make the following comments for your consideration.

The inclusion of Basslink into the NEM has created a degree of volatility to dispatch levels of FCAS, particularly in Tasmania. Aurora Energy supports the concept of a review and implementation of any changes that would ensure that the most appropriate levels are set to achieve a cost effective outcomes while ensuring system security is maintained.

Hydro Tasmania has proposed a cost recovery mechanism, which in concept appears to be reasonable. Aurora Energy would like to be assured that these proposed changes will not result in significant cost shifting from generators to customers due to the different methods of cost recovery between contingency and regulation services.

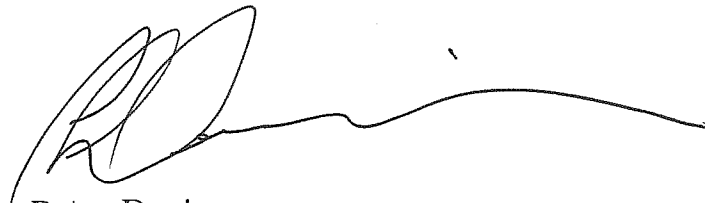
*From the Office of the
Chief Executive Officer*

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As raised by NEMMCO in its submission, the implications of this proposed rule change will need to be cognisant of NEMMCO's overall review of the FCAS market.

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

Yours sincerely

A handwritten signature in black ink, appearing to be 'Peter Davis', written in a cursive style. The signature is positioned above the printed name and title.

Dr Peter Davis
Chief Executive Officer