



Mr John Pierce  
Mr Neville Henderson  
Dr Brian Spalding  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Dear Commissioners,

**Reference: ERC0123**

### **Draft Rule Determination – Potential generator market power in the NEM**

TRUenergy welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC) Draft Rule Determination on Potential Generator Market Power in the National Electricity Market (NEM).

TRUenergy supports the AEMC's Draft Rule Determination in response to this rule change request. Overall, the analysis undertaken by the AEMC clearly demonstrates that there is no evidence of substantial generator market power in the NEM to date and that regulatory intervention as proposed in the rule change is likely to be inconsistent with the National Electricity Objective (NEO).

Any analysis of whether market power exists needs to satisfy a number of conditions, including:

- Prices consistently above LRMC
- High barriers to entry
- The ability to increase prices with considerable frequency sustained for long periods of time

TRUenergy submits the following key points in support of these principles and the AEMC's decision that no substantial market power exists in the operation of the NEM.

1. Notwithstanding that spot price variability is an inherent feature of the market due to supply/demand balance, we agree with the AEMC that the NEM has delivered "efficient"

electricity prices, which when averaged over time, can be expected to be at the level required to recover the “efficient” cost of generation assets in the NEM.

2. High prices in the NEM for short periods do not necessarily reflect market power. Analysis by NERA, on behalf of the AEMC, has demonstrated that while annual average prices have on occasion been above the efficient level this has not been sustained. On the contrary, annual average spot prices have been below an efficient level since 2009-10 (as defined by the estimated long run marginal cost of new entrant generation).

TRUenergy considers the wholesale market in the NEM to be highly competitive. Price volatility is an inherent feature of this market; however there are a wide range of risk management mechanisms available to help market participants manage this volatility.

TRUenergy strongly supports the AEMC’s conclusion that any rule that seeks to constrain or limit the bidding of generators in the manner proposed by the MEU would potentially result in a number of perverse outcomes, including:

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

We therefore support the AEMC’s decision not to make the proposed rule.

We thank the AEMC for the opportunity to respond to this Rule change. For any questions regarding this submission, please contact Mr. Con Noutso - Regulatory Manager at TRUenergy on Tel: 03 8628 1240

Regards

Signed for email

Con Noutso  
Regulatory Manager  
TRUenergy