

7 September 2009



Dr John Tamblyn  
Australian Energy Market Commission  
PO Box A2449  
SYDNEY SOUTH NSW 1235

[submissions@aemc.gov.au](mailto:submissions@aemc.gov.au)

Dear Dr Tamblyn

**DRAFT RULE DETERMINATION – CAUSER PAYS FOR ANCILLARY SERVICES TO CONTROL THE TASMANIAN FREQUENCY – ERC 0082/2**

Aurora Energy Pty Ltd (Aurora) supports the AEMC (the Commission) draft Rule determination made on 30 July 2009 regarding Causer Pays for Ancillary Services to Control the Tasmanian frequency. Principally, the Commission has determined in its draft decision to not make the Participant Derogation proposed by Hydro Tasmania in relation to the recovery of the costs of local frequency control Market Ancillary Services in Tasmania.

Aurora as a key Market Customer in the Tasmanian region agrees with the conclusion reached by the Commission that the National Electricity Objective (NEO) would not be served by making the proposed Rule change.

Aurora observes that the Commission has in fact presented reasons in support of its decision to not make the Rule change that are of direct relevance to the NEO. Those of immediate concern to Market Customers were that the making of the Derogation:

- would have distorted signals for investment in ‘new TFOS’ generation in the Tasmanian region;
- would have restricted competition, thereby preventing consumers from accessing the benefits of competitive price pressure in wholesale energy pricing;
- would have impeded economic efficiency that drives least cost energy production (making the Derogation would result in increased energy price bidding by TFOS generators as they tried to recover some of the additional costs of contingency FCAS); and
- would have created a barrier to entry for new efficient generation. New efficient generation can offer a balance of technologies in the region, and increase reliability of supply.

*From the Office of the  
Chief Executive Officer*

Aurora Energy Pty Ltd  
ABN 85 082 464 622  
21 Kirksway Place  
GPO Box 191  
Hobart Tasmania 7001  
Telephone: 03 6237 3335  
Facsimile: 03 6237 3396

The other key reasons the Commission gave for not making the Derogation were fundamental to certainty and consistency in the National Market, being that the proposed Rule change would:

- create regulatory uncertainty, especially by displaying a willingness to change accepted cost allocation methodologies in a way that increases investment risk and undermines certainty in existing regulatory decision making and processes;
- introduce a bias between generation technologies into the Tasmanian region of the National Market; and
- be inconsistent with the existing causer pays principle.

These findings are all consistent with Aurora's observations, as made in our earlier submissions that the Rule change would not be in the long term interests of consumers of electricity.

Aurora commends the Commission on its draft decision to not make the Participant Derogation. The draft decision presents as a positive signal to the Market that the principles of consistency and regulatory certainty, and the clear intent of the National Electricity Objective, continue to be upheld where developments in the NEM are being considered.

Therefore Aurora contends that a final outcome consistent with that draft decision would demonstrate complete consistency with the intent of the National Electricity Objective.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Peter Davis", with the number "6607" written to its right.

Dr Peter Davis  
Chief Executive Officer