



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

**Reference: ERC0132**

Dear Mr Pierce,

The Energy Markets and Programs Division of the Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE) thank you for the opportunity to comment on the Australian Energy Market Commission's (AEMC) *Expiry of the Reliability and Emergency Reserve Trader (RERT) – Draft Rule Determination*.

As indicated in our previous submissions on this matter, South Australia is concerned with the potential impact the initial Reliability Panel rule change proposal may have had on reliability in the NEM. Our submission outlined our preference for a further extension of the RERT for a period of time while the AEMC further considered alternative mechanisms that could provide capacity as a last resort to avoid involuntary load shedding.

Following review of the Draft Rule Determination, we agree with the AEMC's view that significant uncertainty currently exists in the market and that this may result in potential investment delays which may impact on reliability heading forward. We therefore agree that there is benefit in having a last resort mechanism, such as RERT, available while this period of uncertainty exists.

Energy Markets and Programs Division therefore supports the AEMC's decision to make an alternative rule change which postpones the expiry of the RERT until 30 June 2016. We consider the postponement of the expiry date will allow time for the current uncertainties to lessen and for current policy initiatives which may impact on reliability to be implemented.

The Division considers the Reliability Panel's review of the reliability standard and settings to be the next opportunity to assess whether the current settings are delivering sufficient generation investment in light of current and expected future policy settings. Maintaining the RERT until this time is therefore supported. We believe that the Panel's review will be the opportunity to assess if the standard is sufficient, and to determine if a new mechanism should be introduced at the expiry of the RERT.

Should you have any questions in relation to this submission, please contact Ms Rebecca Knights, Director Energy Markets on (08) 8204 1715.

Yours Sincerely

A handwritten signature in blue ink, appearing to read 'Vince Duffy', written over a blue horizontal line.

**VINCE DUFFY**  
**EXECUTIVE DIRECTOR, ENERGY MARKETS AND PROGRAMS DIVISION**  
**RESOURCES AND ENERGY GROUP**

**1 / 2 / 2012**

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