

31 May 2006

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Dr Tamblyn  
AEMC  
PO Box H166  
Australia Square  
NSW 1215

Dear Dr Tamblyn,

**MANAGEMENT OF NEGATIVE SETTLEMENT RESIDUES IN THE SNOWY REGION  
ROLE OF TECHNICAL REFERENCE GROUP**

I wish to bring to your attention my views on the appropriateness of the arrangements announced by the AEMC with respect to the role of the Technical Reference Group in assisting the Commission to develop its modelling approach and assumptions. I am encouraged by the diligence displayed by the AEMC in pursuing detailed modelling work to assist in determining an optimum outcome. However I am concerned that membership of the group is apparently confidential and will assist the Commission in a non transparent manner.

The Snowy region negative settlement residues rule change proposal is intrinsically linked to the Snowy Hydro and Macquarie Generation regional boundary rule change proposals and the Commissions congestion management review. The consideration of this rule change proposal and the broader reviews cuts to the very heart of the competitive positioning of generators and retailers in the physical and financial markets. The modelling assumptions necessary for the Commission to perform numerical analysis will drive potential outcomes which will affect all participants. Therefore it is not unreasonable that the market would hold reservations about a Group process that is confidential and involves a select few of some of the very entities that will be affected commercially.

I feel that without an open and transparent regime (subject to peer review) any advice taken by the AEMC from the Group will lack credibility when viewed by the rest of the market. I do not believe this is in anyone's interest.

I would be pleased if the Commission would review its approach and consider a strategy which uses open and transparent processes where all interested parties can have their say. If you require further discussion I can be contacted on (02) 9285 2715.

Yours faithfully

*Tim Baker*

**TIM BAKER  
GENERAL MANAGER/ MARKETING**