

Our ref: 13782

16 June 2006

Mr. Tim Baker
General Manager Trading
Delta Electricity
P.O. Box Q863 QVB
Sydney NSW 1230

Dear Mr. Baker

Management of Negative Settlement Residues in the Snowy Region - Role of the Technical Reference Group

Thank you for your letter of 31 May 2006 presenting your views on the appropriateness of the arrangements announced by the AEMC with respect to the role of the Technical Reference Group (TRG) in assisting the Commission to develop its modelling approach and assumptions.

The Commission has noted your concern that the membership of the Group was confidential and that it appears to have been assisting the Commission in a non transparent manner. You also expressed concern that the membership of the Group involved a select few of the wider group of entities that are likely to be affected by the Commission's decisions on Snowy Region related matters.

The Commission welcomes your comments on this matter and is concerned to ensure that its public processes and consultation arrangements are, to the maximum extent possible, seen to be open and transparent and accessible to all interested parties.

In responding to your letter, I would like to explain the Commission's reasons for establishing the TRG on the basis that it did and also to advise you of the changed approach the Commission intends to adopt for future consultation on modelling approaches and assumptions for boundary change and congestion related matters.

The TRG was established in order to provide comments on the modelling approach, inputs and assumptions in the context of the Southern Generators' Rule change proposal — which was the first matter for which quantitative modelling has been undertaken by the Commission.¹ The members were selected on the basis of their expertise. In addition, the Commission sought to ensure that the membership included a broad geographic

¹ Southern Generators and NEMMCO, *Management of Negative Settlement Residues in the Snowy Region Rule change proposal*, 27 October, 2005
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spread of energy businesses, with representatives from all segments of the supply chain including a Transmission Network Service Provider; generator representatives from the Queensland, New South Wales, Snowy and southern regions (Victoria, South Australia, and Tasmania); a major retailer; and NEMMCO.

Each member of the TRG also signed a Confidentiality Deed as a condition of participation in the group. After the TRG meeting on 5 April, 2006 no members of the TRG had access to the modelling results and no member was consulted before the 6 June 2006 publication of the draft Rule determination on the Southern Generators' Rule change proposal².

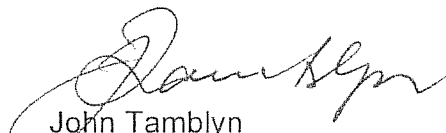
The Commission chose not make the membership of the TRG public until the draft rule determination was issued given the limited role it had in the process.

As you are aware, on 9 May 2006 the Commission published an Information Disclosure Statement that set out the assumptions and methodology it proposed using for the quantitative modelling in the draft Rule determination for the Southern Generators' rule change proposal. This information was published to provide transparency and to enable interested parties to undertake their own analysis using the same assumptions as the Commission.

However, the Commission is concerned to ensure that industry consultation is seen to be conducted in an open and transparent manner in future, and has decided to adopt a different approach for its future consultations on its modelling approach in relation to regional boundary change and congestion management projects. For the Snowy Regional Boundary rule change proposals, the Commission has decided to invite submissions from all interested parties on the Commission's proposed inputs and assumptions for quantitative modelling. These submissions will be published on the Commission's website, with the final decision on modelling assumptions and approach to be made by the Commission and documented in its Draft Determinations.

The Commission would like to thank you for taking the time to raise your concerns with us. It is very important to the Commission that we continue to receive feedback from interested parties on any issue of concern to them.

Yours sincerely



John Tamblyn
Chairman

² Australian Energy Market Commission, *Draft Rule Determination: National Electricity Amendment (Management of negative settlement residues in the Snowy Region) Rule 2006*, AEMC, Sydney, 6 June 2006