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3 January 2006

Dr John Tamblyn
Chairman
Australian Energy Market Commission
POI Box H166
Australia Square NSW 1215

Re: Propose Rule change to extend the Reliability Safety Net

Dear John

AGL supports the proposal by the Reliability Panel (the Panel) to extend the operation of the Reliability Safety Net (RSN) until the Panel has had time to examine its role, operation and efficiency in the National Electricity Market (NEM).

AGL has been critical of the operation of the Reliability Safety Net. Our concerns have been:

- NEMMCO is forced to contract for reserves based on a conservative estimate of demand;
- the guidelines developed by the Panel have restricted NEMMCO's use of reserve trading so that new supply has been impossible;
- as a result, NEMMCO was granted a derogation allowing them to use demand side response (DSR) but that derogation did not contain appropriate provisions to prevent existing suppliers contracting with NEMMCO; and
- therefore the reserve trading operations of NEMMCO both distort the market and increase energy costs.

AGL has, at the same time, accepted that jurisdictions prefer some form of safety net to reduce any potential for customers to face a supply shortfall in the NEM. We have been concerned, however, that the operation of the RSN has been substantially extended without any formal review as was required by the (then) National Electricity Code and the Australian Competition and Consumer Commission. AGL therefore welcomes the review currently proposed by the Panel and accepts that the current RSN arrangements will need to be extended to allow the Panel time to complete its review.

AGL considers that, to their credit, NEMMCO have attempted to operate the current arrangements so that any increased costs are minimised. Despite this, and concerns expressed by AGL to both NEMMCO and the Panel during the process, AGL considers that the current operation of the RSN has both harmed the NEM and increased energy costs.

If you have any queries, please contact Alex Cruickshank, Manager NEM Development on (03) 9201 7694 or by email to acruicks@agl.com.au.

Kind regards,

A handwritten signature in black ink, appearing to read 'Dimery', with a stylized flourish at the end.

Jeff Dimery
General Manager Merchant Power