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**Government  
of South Australia**

**Minister for Transport  
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The Reliability Panel  
REL 0041  
Australian Energy Market Commission  
PO Box A2449  
SYDNEY SOUTH NSW 1235

Dear Sir/Madam

Thank you for the opportunity to comment on the Australian Energy Market Commission Reliability Panel's (the Panel) issues paper associated with the review of the Reliability and Emergency Reserve Trader (RERT).

The South Australian Government supports the retention of the RERT as a relatively low-cost risk management strategy that has provided an important safety net particularly when called upon in the summers of 2004-05 and 2005-06. Further, the load shedding events of 29 and 30 January 2009 in Victoria and South Australia clearly indicate that the short term RERT would have resulted in some or all of the reserve being restored and minimising the severity of the event.

The Panel highlights the challenges and risks currently facing the energy market as a result of uncertainty of climate change policies such as the potential price on carbon, the timelines of investment in generation and subsequent adjustments in the financial markets.

Under the National Electricity Rules, the Australian Energy Market Operator (AEMO) is required to undertake actions that have the least distorting effect on the operation of the market. The RERT provides flexibility in arrangements for the call of reserve in order to minimise electricity supply interruptions. I am not convinced that there are any significant market distortions from the continuation of the RERT and on balance the costs are minimal when compared to the costs in the market overall. Any additional costs are only incurred by consumers when reserve is actually required.

I advocate the provision of a permanent standing reserve as a longer term measure that should be developed to allow participation by the broadest range of potential providers to minimise costs to consumers and promote economic development opportunities with demand side and generation. A well designed permanent standing reserve could replace the RERT arrangements and integrate these features into the market design.

I note that the new gas short term trading market includes a mechanism known as contingency gas that will fully integrate market demand to assist in managing potential gas supply shortfalls as part of the market design.

I look forward to receiving future issues papers regarding this matter.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'P. Conlon', is positioned above the printed name.

**HON PATRICK CONLON MP**  
**MINISTER FOR ENERGY**

27 September 2010

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