

Our ref: RP2005-Intltr-050912

19 September 2005

Dr John Tamblyn
Chairman
AEMC
PO Box H166
Australia Square NSW 1215

Dear John

Report on revised guidelines for intervention by NEMMCO for reliability

The Reliability Panel is responsible, under clause 8.8.1(a)(4) of the National Electricity Rules (the Rules), for determining policies and guidelines governing NEMMCO's exercise of its power to enter into contracts for the provision of reserves.

NEMMCO's powers in this regard cease on 30 June 2006 and the question of appropriate arrangements beyond that date will be considered by the Panel as part of its upcoming work program. Earlier this year, under the previous governance arrangements, the Panel commenced a review of the existing guidelines. The review was limited to fine tuning the guidelines in time for implementation ahead of any potential requirement in the 2005-06 summer. Frontier Economics was engaged to assist the Panel as part of its review.

The Panel has now completed the review and determined a revised set of guidelines. Please find attached those guidelines and a copy of the report prepared for the Panel by Frontier Economics. The Panel has endorsed the report and the reasons for making the revised guidelines set out therein.

In conducting its review, the Panel has followed the process set out below:

- the National Electricity Code Administrator, the AEMC's predecessor, requested the Panel to commence a review of the guidelines on 18 February 2005;
- the Panel gave public notice on 13 May 2005 of the review, the deadline for receipt of submissions (13 July 2005) and that it would provide an opportunity for stakeholders to comment on the guidelines at a meeting of the National Electricity Market Information Forum to be held on 6 July 2005;

- the NEMIF meeting was chaired from Sydney and was videoconferenced to Melbourne, Brisbane, Adelaide, Canberra and Hobart. No stakeholder comments were received at the meeting;
- submissions were received from NEMMCO, AGL, the Energy Retailers Association of Australia and TruEnergy;
- at the Panel's meeting on 12 August 2005, the first under the new governance arrangements, the Panel agreed to complete its review and make its determination at its next meeting and to provide its written report to the AEMC as soon as practicable thereafter; and
- the Panel met and made its determination as to the revised guidelines on 8 September 2005.

I note that, under clause 8.8.3 of the Rules, the Commission must, within 10 days of receiving the report of the Panel, make the report publicly available. I would be therefore grateful if the Commission would publish this letter and the attached material as soon as practical.

Yours sincerely

Ian Woodward
Chairman

*Encl. Guidelines
Frontier Economics report*