



Government of South Australia

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Mr Neville Henderson
Chairman, Reliability Panel
Australian Energy Market Commission
PO Box A2449
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Reference: REL0041

Dear Neville

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

As indicated in the submission to the issues paper, the South Australian Government supports the retention of the RERT until such time as a more certain form of reserve provision is implemented.

The draft report recommends extension of the RERT until 2013 and removal of RERT review provisions from the Rules based on the conclusion that reforms expected to result from demand side work programs and industry response to reliability settings are sufficient mechanisms to deliver the capacity to ensure reliability. The Energy Division consider it risky to rely on yet unspecified future reforms to provide an adequate safety net mechanism.

The Energy Division support the extension of RERT to 30 June 2013 to provide the opportunity for demand side work programs to be completed. The removal of RERT review provisions is however not supported at this time, with South Australia considering that the effectiveness of demand side market reforms in securing reserve should be evaluated prior to the expiry of RERT.

It will be important to evaluate both the quantity of demand side response and the timing of its provision. As reserve shortfalls most often occur at times of peak demand, it is at these times that the maximum demand side response needs to be available.

If the evaluation determines that demand side programs are not sufficiently effective then an alternative mechanism should be considered. The Energy Division support the provision of a permanent standing reserve as a longer term measure that should be developed, as advocated by the South Australian Government in the submission to the issues paper.

It is considered essential that a mechanism to guarantee ongoing reserve is put in place prior to the expiry of the RERT on 30 June 2013.

The Energy Division look forward to receiving the Final Report on this matter.

Yours sincerely



Vince Duffy
EXECUTIVE DIRECTOR
ENERGY DIVISION

10 February 2011