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Mr Tom Leuner
General Manager
Markets
Australian Energy Regulator
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By email: AERInquiry@aer.gov.au

Monday, 1 November 2010

Dear Mr Leuner

ElectraNet's proposal for early implementation of the market impact component of the service target performance incentive scheme

International Power Australia (IPRA) appreciates this opportunity to provide some brief comments on ElectraNet's proposal to the AER for early implementation of the market impact component of the service target performance incentive scheme.

IPRA considers the service target performance incentive scheme has an important role within the National Electricity Market and supports the general objective of ensuring that the transmission system is available at the times when it is most valued by the market. IPRA considers the market impact component of the electricity transmission service target performance incentive scheme is likely to contribute in some way to the achievement of this objective.

However, we note that this component can at best be only partially effective as it does not have a metric that accurately reflects the impact of congestion on the market. This is because the market arrangements now strongly incentivise "disorderly bidding", and this in turn leads to unrealistic marginal values of constraints being produced by the dispatch process.

IPRA assumes that the AER will audit the network outage constraint data summary which is used to define the market impact component performance target and do not see this as part of our role. However, after investigating the network outage constraint summary data, IPRA considers the inclusion of some constraints in the market impact component performance target appear questionable. For instance, there are some network outage inclusions that relate to network support services where Appendix C exclusion 7, of the scheme, suggests that network constraints related to network support services should be excluded. Furthermore, network outages which are not within ElectraNet's direct area of oversight also appear to have been included.

Despite the current limitation of the market impact component and some questionable network outage inclusions IPRA supports ElectraNet's proposal for early implementation as a step in the right direction.

If you would like to discuss any aspect of this submission, please do not hesitate to contact, in the first instance, Steven Frimston on 03 9617 8452 or alternatively David Hoch on 03 5135 5363.

Yours sincerely,



Steven Frimston
Energy Trader

