



AGL South Australia Pty Ltd  
GPO Box 77  
Adelaide  
South Australia 5001

Telephone 08 8404 5666  
Facsimile 08 8404 5808

14 July 2000

Attention : Mr Michael Rawstron  
General Manager Regulatory Affairs – Electricity  
Australian Competition and Consumer Commission  
PO Box 1199  
DICKSON ACT 2602



D00/22336

RAC0006DEL

C1999/866

Dear Sir

### **NATIONAL ELECTRICITY CODE CHANGES**

#### **VoLL Pre-Determination Conference**

AGL South Australia intends to attend the Pre-Determination conference in Melbourne on 18 July and wishes to speak.

Speaking will be Mike Bailey, Manager Market Structure and Policy AGL SA and Margaret Beardow, Principal Benchmark Economics. Also in attendance will be John Barton, General Manager Regulatory Affairs, and Geoff Donohue, Communications Manager Corporate Affairs.

Issues we wish to raise are as follows.

The Commission has not given due consideration to all the issues presented.

Three criteria for granting the initial authorisation to the price cap in NEC \$5,000:

1. There would be a transition period and the price cap was necessary to ensure the market is not subject to large price shocks, particularly in the transition state.
2. There was excess capacity which meant that any distortion was likely to be minor, making the probability of reach VoLL less likely.
3. The market was immature and the time taken to erode the excess capacity would allow customers sufficient experience of market operations to implement hedging contracts and to develop demand side responses to deal with high price situations.

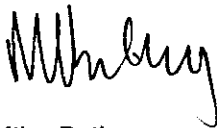
AGL is of the view that the Commission has not presented sufficient evidence to show that these criteria are no longer relevant by reference to issues related to the following:



- Transition period
- Excess Capacity
- Immaturity
- Efficient market and efficient pricing
- VoLL and price cap bidding
- Demand side management
- Supply side
- Risk management
- Public benefits test

AGL will argue that the criteria for the initial price cap do remain relevant. It is suggested therefore that it is premature to consider removing or lifting this cap.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mike Bailey', written in a cursive style.

Mike Bailey  
MANAGER MARKET STRUCTURE & POLICY