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14 April 2010

Your ref: C2009/1944

The General Manager  
Adjudication Branch  
Australian Competition and Consumer Commission  
GPO Box 3131  
Canberra ACT 2601

Via Gavin Jones  
Director, Adjudication Branch

By email: [adjudication@accc.gov.au](mailto:adjudication@accc.gov.au)

Dear Mr Jones,

**Authorisation applications A91198 – A91199 lodged by Macquarie Generation, Delta Electricity and Eraring Energy – draft determination**

TRUenergy owns the NSW based Tallawarra power station, wider Generation and Retail interests in the National Electricity Market ("NEM"), and is a potential acquirer of assets in the NSW government's privatisation programme. As such, we have a broad interest in the outcome of this Authorisation application both as an existing NEM participant and as a potential Gentrader or large NSW retailer.

In its draft determination the Australian Competition and Consumer Commission ("ACCC"), states its intention to deny the applications for authorisation of the proposed co-insurance arrangement. TRUenergy supports this conclusion of the draft determination.

It is worth briefly re-iterating some of the primary reasons we put in our submission to the original Applications for not supporting authorisation for the co-insurance arrangement:

- The NEM market has matured to a degree that there are a range of options available for Gentraders to manage firmness risk that are likely to be more efficient than the proposed co-insurance arrangement. These have been recognised by the ACCC in its draft determination and include options such as:
  - Portfolio approaches to risk management – in which either Retailers may be happy to purchase non-firm capacity from Gentraders to be managed within their broader contract

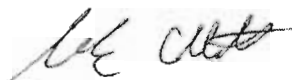
portfolio, or participants with wider NEM generation interests may be able to self-insure against a lack of Gentrader firmness.

- Use of outage insurance – where either risk capital from broader insurance markets, or callable derivatives with other NEM generators can be used to manage outages.
- Information asymmetry created by the scheme would leave participants outside the scheme at an informational disadvantage compared to scheme participants, with resulting impacts on NEM efficiency.
- Scheme participants will be able to estimate the level of pool exposure other scheme counterparts are likely to take based on assumptions about how much capacity may need to be reserved to support potential co-insurance calls. This is likely to increase incentives for pool price maximising behaviour by scheme participants compared to a counterfactual without the co-insurance scheme.

For these reasons, amongst others identified by the ACCC in its draft determination, TRUenergy concurs with the ACCC conclusion that the public benefits of the co-insurance proposal are negligible and the detriments likely to be material. On this basis we support the ACCC confirming its draft decision in its final determination.

If you have any further questions regarding this matter, please contact myself or Mark Frewin via (03) 8628 1000.

Yours Sincerely,



Mark Collette  
Director, Corporate Strategy and Development