



16 July 2018

Mr Michael Sanders
Dispatch Engineer
Australian Energy Market Operator
GPO Box 200
Melbourne VIC 3001

Dear Mr Sanders

RE Intervention Pricing Methodology Consultation

ERM Power Limited (ERM Power) welcomes the opportunity to respond to the Australian Energy Market Operator's (AEMO's) Intervention Pricing Methodology Consultation Issue Paper.

About ERM Power Limited

ERM Power is an Australian energy company operating electricity sales, generation and energy solutions businesses. The Company has grown to become the second largest electricity provider to commercial businesses and industrials in Australia by load¹ with operations in every state and the Australian Capital Territory. A growing range of energy solutions products and services are being delivered, including lighting and energy efficiency software and data analytics, to the Company's existing and new customer base. ERM Power also sells electricity in several markets in the United States. The Company operates 497 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland.

www.ermpower.com.au

Proposed changes to intervention pricing methodology

ERM Power commends AEMO's decision to initiate the Intervention Pricing Working Group (IPWG) comprised of both AEMO staff and industry representatives to review the current intervention pricing methodology and we support the proposed four changes which will remove errors from the current methodology for the calculation of intervention prices as set out in the Issue Paper.

We believe it should also be acknowledged that whilst AEMO initially engaged consultants to review the intervention pricing methodology, the changes to the methodology recommended by the consultants were rejected by the IPWG. The establishment of the IPWG has proven worthy, given it was the analysis undertaken during the IPWG process that identified the errors in the current methodology which were the cause of the erroneous pricing outcomes observed during some intervention periods and it was this work that led to the development of the proposed changes as set out in the issues paper.

We recommend that AEMO consider additional AEMO/industry working groups for similar market issues.

Please contact me if you would like to discuss this submission further.

¹ Based on ERM Power analysis of latest published financial information.



Yours sincerely,

[signed]

David Guiver
Executive General Manager - Trading

07 3020 5137 – dguiver@ermpower.com.au