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17 May 2010

Mr Craig Price
Project Director
STTM Establishment Project
GPO Box 2008
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By email: craig.price@aemo.com.au

Dear Mr Price

Industry readiness for STTM commencement on 4 June 2010

The National Generators Forum (NGF) represents the major power generators in the National Electricity Market. Our members operate assets worth more than \$40 billion and with an installed capacity of 44,384 MW. Annual sales are over 180,000 GWh with a value of about \$7 billion. NGF members account for over 95 per cent of the generation market in Australia.

As many NGF members operate gas fired power stations, the NGF has been active in the Gas Market Leaders Group and STTM development since its inception. Gas fired generators are an important and rapidly growing segment of the gas market. NGF members support an open and robust Short Term Trading Market (STTM) facility.

AEMO has sought comment from the industry on our state of readiness for a 4 June 2010 start of the STTM. The NGF has conferred with its gas sub-group members to develop this response to that request.

NGF supports a delay in STTM commencement

NGF members are very concerned about industry preparedness for the STTM. Members unanimously agree that the market should not commence on 4 June 2010.

This view is based on the following facts:

- Members have been unable to validate settlement statements due to apparent industry wide data co-ordination issues. This risks leaving participant systems inadequately prepared and tested to process STTM outcomes;
- The potential for high system demands and system stress during the peak winter period creates concerns that participants may be exposed to extreme risk because of immature

operational processes to deal with unexpected system conditions or potential IT problems;
and

- Some members have raised concerns that market trials for contingency gas events or other administered states should be re-simulated to allow for further testing of these stress events before a market start. It is acknowledged that the testing of these facilities has been performed by AEMO. However some member businesses believe their internal processes need further testing.

Given that the STTM aims by design to reallocate risks in the gas sector and that the financial implications for participants of system or process failures can be very large, the NGF supports a prudent approach which would delay start of the STTM.

For this reason, the NGF would support a sufficient delay in the start of the STTM to allow additional trials and testing of systems and processes to occur, and for the high risk winter peak period to be safely behind us before a live market start.

Proposed NGF start date

Individual NGF members have a range of views on precisely when the STTM should commence. However there is a commonly held view that, before the market starts, we should see a minimum of two end to end settlement statements successfully issued and reconciled across the industry.

With these points in mind, the NGF proposes that the STTM start date should be delayed from 4 June 2010 in light of the risks to the industry of inadequately developed processes failing in a peak winter period.

For further discussion on these matters, please contact Mr Mark Frewin via (03) 8628 1000.

Yours sincerely,



Malcolm Roberts
Executive Director