

Our ref: MAD001
Enquiries: Allan Dawson

Hon Peter Collier
Minister for Energy
Level 11 Dumas House
2 Havelock Street
WEST PERTH WA 6005

Dear Minister

WORK OF THE RENEWABLE ENERGY GENERATION WORKING GROUP

The impact of renewable energy generation on the operation of the Wholesale Electricity Market (WEM) and power system has been highlighted in both the Verve Energy Review and the Australian Energy Market Commission's Review on Energy Market Frameworks in Light of Climate Change Policies.

To evaluate the impact of renewable energy targets on the WEM, the IMO established the Renewable Energy Generation Working Group (REGWG) under the auspices of the Market Advisory Committee (MAC). The REGWG was tasked with:

- Identifying priority issues arising, or that could arise, from increasing penetration of intermittent renewable energy generation in the South West interconnected system; and
- Determining an appropriate framework for analysis of issues and options for resolving them against the Wholesale Market Objectives.

The work being undertaken by the REGWG currently assumes that procurement of Renewable Energy Certificates (RECs) will be made under commercial decision making arrangements (i.e. at least cost procurement). This would allow Western Australian based participants to procure RECs from the Eastern States thereby impacting on the amount of RECs procured from within Western Australian.

I have been asked to express the MAC's interest of being updated on any future state policy directions regarding this assumption. This is because policies relating to the procurement of RECs will impact on the decisions made by industry generally and investors more specifically.

If you have any queries, or would like a briefing on the work of the REGWG, please do not hesitate to contact me.

Yours sincerely

ALLAN DAWSON
MARKET ADVISORY COMMITTEE CHAIR

20 May 2010