



Our Reference: DMS #3039714V1
Enquiries: Jenni Conroy
Telephone: 9326 4661

31 January 2007

Mr Ignatius Chin
Assistant Director, Electricity Market Surveillance
Economic Regulation Authority
Level 6, Governor Stirling Tower
197 St Georges Terrace
PERTH WA 6000

Dear Mr Chin

DETERMINATION OF THE IMO AND SYSTEM MANAGEMENT ALLOWABLE REVENUE

Thank you for the opportunity to comment on allowable revenue for the Independent Market Operator (IMO) and System Management for the period 1 July 2007 to 30 June 2010.

Synergy recognises there are significant costs to be recovered as a result of the implementation of a new wholesale electricity market regime. It is also recognised that there is likely to be some uncertainty regarding the costs associated with the operation of the market given the early stage of market development.

It is difficult for Synergy to provide specific comment on the appropriateness of the costs proposed by the IMO and System Management. In this context, benchmarking will be essential to assist the Authority in making an appropriate determination of allowable revenue.

Synergy notes that both the IMO and System Management have undertaken benchmarking of their costs, most notably against the National Electricity Market Management Company (NEMMCo). As indicated by the IMO and System Management, it is difficult to directly compare costs with NEMMCo given differences in market structure and services offered.

While Synergy looks to the Authority to undertake an appropriate benchmark assessment in making its determination, we would be pleased to work with the Authority on any related matters.

Yours sincerely

A handwritten signature in black ink, appearing to read "G. Draper".

GRANT DRAPER
HEAD OF STRATEGIC BUSINESS