



## Australian Energy Market Commission

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20 May 2010

Senator Cormann  
Chair  
Senate Select Committee on Fuel and Energy  
PO Box 6100  
Parliament House  
Canberra ACT 2600

**By email:** [fueleenergy.sen@aph.gov.au](mailto:fueleenergy.sen@aph.gov.au)

Dear Senator Cormann

### **Request for views on implications of proposed Resource Super Profits Tax (RSPT)**

I refer to your letter of 13 May 2010. The letter seeks views, in your capacity as Chair of the Senate Select Committee on Fuel and Energy, on the impact of the proposed RSPT.

#### **The AEMC**

The Australian Energy Market Commission (AEMC) is the statutory body responsible for making rules in respect of the operation and regulation of gas and electricity markets. The AEMC also has responsibility for market development. In this capacity, we undertake reviews and provide advice to the Ministerial Council on Energy (MCE).

In undertaking any of our functions under law the AEMC is obliged to have regard to the national objectives for electricity and gas markets – to promote efficient investment in, and operation and use of, electricity and natural gas services in the long term interests of consumers. Consistent with these objectives, we seek to develop rules which support competition and do not favour any particular technology.

#### **Potential impacts of an RSPT**

The AEMC has not conducted any detailed analysis or research on the consequences of the RSPT for how energy markets operate, hence our comments should be viewed as preliminary and high-level.

As requested, we have considered the potential impacts of a RSPT in our field – which is the design of market rules that promote efficient outcomes for energy consumers. From this perspective, the impacts appear limited:

- While a RSPT has the potential to affect input costs for market participants, e.g. electricity generators who make use of resources which are subject to the tax, there appears to be no discernable impact on how the rules for energy markets should be designed to operate.

- We understand, based on the material published by the Australian government, that the net effect will vary by project and over time – in some instances resulting in more tax being paid than under the current tax regimes, while in other instances resulting in less tax being paid. How this translates to changes in input costs for individual market participants will depend on the terms of individual contracts.
- The market rules are designed such that changes in input costs for market participants can be reflected in market offers – on the basis of which the market is dispatched, and prices are set. Price expectations are the main signal for new investment. Hence, price signals might change, but there is no obvious detriment to ongoing security of supply – and is no different in principle to other cost changes that the market routinely accommodates.
- The Australian government contend that the RSPT will have a less distorting effect on economic behaviour than current arrangements. If this was a characteristic of the implemented form of a RSPT, then the efficiency of outcomes in energy markets would tend to improve over time (other things being equal).

I hope you find these comments useful to the work of the committee.

Yours sincerely

Dr John Tamblyn  
Chairman