



24 March 2017

Mr Lincoln Flindell
Economic Regulation Authority
PO Box 8469
Perth BC WA 6849

Online: www.erawa.com.au/consultation

Dear Lincoln,

APPLICATION TO ADJUST THE ALLOWABLE REVENUE AND FORECAST CAPITAL EXPENDITURE FOR THE AUSTRALIAN ENERGY MARKET OPERATOR FOR 2016/17 TO 2018/19

Alinta Energy (**Alinta**) appreciates the opportunity to provide a submission to the Economic Regulation Authority (**ERA**) on the Australian Energy Market Operator's (**AEMO**) application to adjust the Allowable Revenue and Forecast Capital Expenditure as determined by the ERA, on 16 December 2016, for the three year period from 1 July 2016 to 30 June 2019 (**AR4**).

AEMO's submission notes the proposed adjustment relates to a subset of the market reform work scope requested in its original AR4 submission and includes the following activities:

- Electricity Market Review (**EMR**) components that are already enacted in the Wholesale Electricity Market (**WEM**) Rules:
 - Third stage of changes to the Reserve Capacity Mechanism; and
 - The Reserve Capacity Auction.
- Changes that AEMO considers need to be progressed irrespective of whether or not the reform program proceeds, including:
 - Single Perth office data centre works; and
 - Power systems operations core security management systems.
- EMR market development and market solution activities during 2017.

As part of its submission on AEMO's initial AR4 application¹ Alinta suggested that AEMO could seek opportunities for a gradual transition of current systems to those of the NEM. Alinta is pleased to see the staged approach adopted as part of this AR4 adjustment proposal.

Alinta notes that AEMO has foreshadowed a further adjustment proposal in the third or fourth quarter of 2017 for funding to the end of the current AR4 period for the implementation of the full market reform program (once there is more clarity around energy policy direction). Alinta urges the ERA, in conjunction with AEMO, to continue to consider options for a more gradual transition of the WEM's current systems to those of the NEM. Alinta considers that this approach may be more appropriate

¹ Available here: <https://www.erawa.com.au/cproot/14556/2/Public%20Submission%20-%20Alinta%20Energy.pdf>

given the anticipated significant cost impact to current Market Participants as a result of almost every system in the WEM changing within a relatively short period of time².

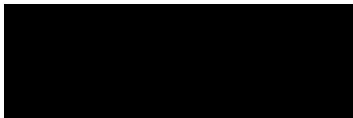
Alinta is supportive, in principle, of the AEMO continuing to undertake EMR market development and market solution activities during 2017 in order to support a possible 2019 market go-live date. Noting this support, there will be significant policy uncertainty until such time as the new WA Labor Government has formally announced its intentions regarding continuation of the reform process. If the Government changes the reform agenda, AEMO must ensure it can react appropriately and cease unnecessary expenditure in the affected reform areas.

To ensure that any material increases in fees are adequately justified, Alinta fully supports the Authority scrutinising, including by way of comparative benchmarking, the adjustment proposal to determine that it is appropriate, and also take full account of merger efficiencies arising from System Management being consolidated into AEMO.

Finally, Alinta notes that the AEMO AR4 and AR4 adjustment proposals only relates to the Market Operation and System Management Market Fee components. These do not represent the full set of fees payable by the WEM's Market Participants. As such, Alinta requests that the ERA provide information on the impact of its expanded role on the Regulator Fees component of Market Fees. This will allow Market Participants to fully assess the Market Fee impact on their businesses.

Please contact me on Jacinda.papps@alintaenergy.com.au or 08 9486 3009 if you have any queries in relation to this submission.

Yours sincerely



Jacinda Papps
Manager Wholesale Regulation

² Noting that not only do participants fund AEMO's development costs via the market fee regime, they also have to implement their own system changes, which can also be detailed, time consuming and costly.