alintaenergy

16 August 2023

Economic Regulation Authority
Level 4, Albert Facey House,
469 Wellington St, Perth WA 6000

Submitted via: www.erawa.com.au/consultation

FCESS Offer Price Ceiling draft determination

Alinta Energy appreciates the opportunity to provide feedback on the Offer Price Ceiling draft determination.

We make the following points for the ERA's consideration.

1. **We remain uncertain that the FCESS clearing price will compensate participants for the opportunity costs for providing FCESS rather than energy.** While we recognise that the FCESS clearing price will be based on the incremental cost of an additional unit of FCESS, we consider that this may not reflect the opportunity cost between the two markets where the energy price is substantially higher, and the incremental cost of FCESS is low. This may occur where the energy price is set by a high-cost generator which is not providing FCESS, while the FCESS market has multiple similarly priced offers exceeding the requirement, resulting in a low incremental additional cost. We will aim to work with AEMO and ERA to test a similar scenario using AEMO's dispatch algorithm.

2. **We disagree with the statement that market participants must not include contractual costs in their RTM offers.**[1] We note that the draft WEM Rules due to commence 1 October explicitly permit participants to recover their contractual fuel costs.

3. **We suggest that wear and tear can also occur for Facilities providing contingency reserve services.** This may arise due to the Facility operating at a particular level to provide the reserve and in responding to a contingency.

Thank you for your consideration of Alinta Energy's submission. If you would like to discuss further, please contact me at oscar.carlberg@alintaenergy.com.au or on [redacted]

Yours sincerely

[redacted]

Oscar Carlberg
Wholesale Regulation Manager

[1] While more relevant to the offer construction guideline than the FCESS offer price ceiling, we also note that LGCs can be valued differently based on characteristics including their technology, location and vintage, meaning it would not be appropriate to require all renewable generators to value their LGCs at the spot rate in constructing their offers.