



11 November 2016

Mrs Elizabeth Walters
Economic Regulation Authority
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Perth BC WA 6849
Email: records@erawa.com.au

Dear Elizabeth,

DETERMINATION OF ALLOWABLE REVENUE AND FORECAST CAPITAL EXPENDITURE FOR AEMO, 2016/17 TO 2018/19 – ISSUES PAPER

Alinta Energy (**Alinta**) appreciates the opportunity to provide a submission to the Economic Regulation Authority (**the Authority**) on the proposed Allowable Revenue (**AR**) and forecast capital expenditure for the Australian Energy Market Operator (**AEMO**) in relation to its market operations and system operations functions and for its Gas Services Information functions over the next three year period.

The Electricity Market Review (**EMR**), currently underway, will likely result in major changes in the operations of the WA's Wholesale Electricity Market (**WEM**). It is expected the proposed changes will result in the more efficient dispatch of generating plant to meet customer load and ancillary service requirements while ensuring the system remains safe and reliable. Improved dispatch efficiencies should translate to reduced wholesale energy costs paid by customers.

Alinta understands the program of proposed changes for the EMR, along with AEMO assuming the role of independent system operator (market operator/system manager) and the broader move to adopt the National Electricity Market (**NEM**) systems¹, may result in, at least initially, an increase in market fees to be recovered from Market Participants. To some extent this is understandable as the proposed changes will transition the WEM to a near real-time, individual facility based, multi-product competitive energy/ancillary service market.

However, to ensure that any material increases in fees are adequately justified, Alinta fully supports the Authority scrutinising, including by way of comparative benchmarking, the allowable revenue and forecast capital expenditure proposals to determine that they are appropriate, and also take full account of merger efficiencies arising from System Management being consolidated into AEMO.

We also support the Authority considering, in conjunction with AEMO, whether:

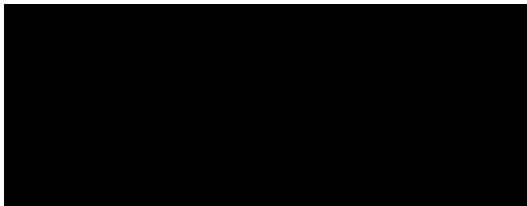
- There may be other options for a more gradual transition of the WEM's current systems to those of the NEM which may be more appropriate given the anticipated significant cost impact to current Market Participants as a result of almost every system in the WEM changing within a relatively short period of time. For example it may be possible to implement some of the systems changes that are not impacted on by EMR changes (or have only been minimally impacted on) at a later time; and

¹ We note it was considered that by appointing AEMO as the market and system operator for the WEM and aligning the NEM and WEM market systems a number of benefits would be realised for energy consumers and participants. Refer to: <https://www.aemo.com.au/Media-Centre/AEMO-extends-role-to-Western-Australia>

- It may be more appropriate to maintain some of the WEM's current technology (which we understand is more advanced than that used in the NEM on occasions) rather than incur the costs (to AEMO and Market Participants) of moving to adopt that of the NEM systems only to have to upgrade systems again in the near term as the NEM moves to upgrade its technology.

Please contact me if you have any queries in relation to this submission.

Yours sincerely



Fiona Wiseman
Wholesale Regulation Manager