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Dear Dora

WEM Rule Change Proposal RC 2007 13 – Release of STEM Submission Information

Thank you for the opportunity to provide comments on Rule Change Proposal RC 2007 13 – “Release of STEM Submission Information”. This letter sets out the view of Alinta Sales Pty Ltd (Alinta).

The proposed change

On the 13th of September 2007 the Economic Regulation Authority (ERA) submitted RC 2007 13 to the Independent Market Operator (IMO). The ERA proposed to change the rules to ensure that information relating to bids and offers into the STEM are made public as soon as possible. Currently such information is available, but only 2 months after submissions were made.

Alinta's view

Alinta agrees with the ERA's view that information regarding a participant's bidding behaviour into the STEM currently is of little value as there is a lag of 2 months between bids being made and the information being available. This significant time lag makes the information of little value to participants when making decisions to optimise their portfolio positions. Alinta agrees that in a fully competitive market environment information on bidding behaviour should be available as close as possible to real time.

However, Alinta is unsure whether the proposed new timeline is the best outcome in the current environment in the WEM as about ¾ of generation capacity is still held by a single party making the competitive environment in generation significantly less than what it is for example in the East Coast market. Alinta is concerned that in the current competitive environment there may be a detrimental impact, in particular on smaller, vulnerable parties, of making information relating to bidding behaviour available close to real time, as short term imbalances within their portfolios may be easily revealed by their bidding behaviour.

Alinta is aware of the requirement for parties to bid in at marginal cost but is still uncomfortable with releasing bidding behaviour information close to real time in the current competitive environment.

Alinta therefore proposes to investigate whether there may be merit in closing the lag in the information publication to 2 weeks after the event. That should ensure the information still has

relevance whilst safeguarding against the information being used to gain unfair short term competitive advantages.

Alinta therefore does not support the proposed change in its current form, but would support the change with the amendment proposed above of closing the gap down to 2 weeks. Alinta considers such an amended form of the proposed change would better facilitate achievement of objectives (a), (b) and (d)¹ of the Market Rules.

Alinta’s assessment against the objectives of the market

Alinta considers the change proposal has the following impact on the objectives of the market:

Objective	Identified impact
(a)	Alinta considers there will be a positive impact on the achievement of this objective with the amended proposal as it will promote economic efficiency by allowing parties to adapt their bidding behaviour to take account of more up to date information about the positions of other market participants.
(b)	Alinta considers there will be a positive impact on the achievement of this objective if the amended proposal is implemented as more competitive tension should result from parties being better informed about the behaviour of their competitors. Alinta considers there could be a detrimental impact on the competitive environment if the proposal in its original form is implemented for the reasons relating to the vulnerable position of smaller players set out above.
(c)	Alinta has not identified an impact on this objective.
(d)	Alinta considers that the proposal in its amended form would foster further competitive tension in the market leading to long term efficiency gains benefiting consumers via reduced electricity costs and therefore positively and therefore have a positive impact on this objective.
(e)	Alinta has not identified an impact on this objective.

IT systems and cost implications

Alinta has not identified any significant cost impact for its own IT systems.

¹ The objectives of the Market Rules are contained in Market Rule 1.2.1 and are:

(a) “to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West Interconnected System”

(b) “to encourage competition among generators and retailers in the South West Interconnected System, including by facilitating efficient entry of new competitors”

(c) “to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions”

(d) “to minimise the long-term cost of electricity supplied to customers from the South West interconnected system”

(e) “to encourage the taking of measures to manage the amount of electricity used and when it is used”

Time required for implementation

Alinta has not identified a need for any significant lead time to implement the proposed change.

Please call me on 08 6213 7304 to discuss any of the issues raised in this letter in more detail.

Yours sincerely



Kristian Myhre
Manager Market Analytics
Alinta Sales Pty Ltd