

Dora Guzeleva
Manager Market Administration
Independent Market Operator
Level 22 The Forrest Centre
221 St Georges Tce
Perth WA 6000

By email: imo@imowa.com.au

29 October 2007

Dear Dora



Alinta Sales Pty Ltd
ABN 92 089 531 984

Alinta Plaza
12 - 14 The Esplanade
Perth WA 6000

PO Box 8348
Perth BC WA 6849

Telephone +61 8 6213 7000
Facsimile +61 8 6213 7001

www.alinta.net.au

WEM Rule Change Proposal RC 2007 18 – Reserve Capacity Testing Payments

Thank you for the opportunity to provide comments on Rule Change Proposal RC 2007 18 – “Reserve Capacity Testing Payments”. This letter sets out the view of Alinta Sales Pty Ltd (Alinta).

The proposed change

On the 13th of September 2007 the Independent Market Operator (IMO) submitted RC 2007 18. The IMO proposed to change the rules to clarify that facilities undergoing a Commissioning Test or a Reserve Capacity Test will not be paid Dispatch Instruction Payments if System Management directs them to divert from the original test schedule for system security reasons. Participants will instead be paid MCAP.

The IMO has proposed to clarify the rules by explicitly excluding any quantities resulting from a dispatch instruction from System Management during testing to be included in the calculation of the Dispatch Instruction Payment in rule 6.17.6. The IMO has also proposed to amend rule 7.13.1 so that System Management is not obligated to provide the IMO with data relating to dispatch instructions it issues for facilities undergoing the tests mentioned above.

Alinta's view

Alinta agrees the rules should be clarified to remove any doubt as to the treatment of facilities undergoing testing.

Alinta notes that there are procedures in place to minimise the cost of complying with Reserve Capacity Testing obligations, in particular to allow facilities to comply with the testing requirements by proving facilities via normal operations.

It is Alinta's understanding that this rule change would not disallow Dispatch Instruction Payments to a participant that is proving its facility via normal operations. For example, a facility may be cleared in the STEM to run on distillate at its maximum output. Closer to real time, System Management may issue a dispatch instruction to the facility to extend running beyond the period for which it was cleared in the STEM (and reflected in the Resource Plan). In such a scenario it is Alinta's understanding that the facility will be receiving a Dispatch Instruction Payment and will also be deemed to have satisfied the reserve capacity testing requirement for the fuel it was running on provided it achieved an output in line with its reserve capacity obligation.

Alinta would welcome clarification from the IMO on whether it would interpret the market rules in the same way as in the example set out above should this proposed rule change be implemented.

Subject to receiving confirmation on the interpretation of the particular example above, Alinta considers the proposed change would better facilitate achievement of objectives (a) and (b)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 as the proposal will promote economic efficiency by ensuring all parties are treated equally.
(b)	Alinta considers there will be a positive impact on the achievement of this objective as clarifying the rules will provide more certainty to potential investors and therefore improve the competitive environment among generators in the SWIS.
(c)	Alinta has not identified an impact on this objective.
(d)	Alinta has not identified an 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