

2 December 2024

Economic Regulation Authority
Level 4, Albert Facey House
469 Wellington Street
PERTH WA 6000

Online submission via: <https://www.erawa.com.au/consultation>

Procedure Change Proposal: Offer Construction Guideline and Trading Conduct Guideline

Alinta Energy appreciates the opportunity to provide feedback on the further changes proposed to the Offer Construction Guideline and the Trading Conduct Guideline.

Offer Construction Guideline

We recognise the ERA's decision to retain the runway costs of Contingency Reserve Raise (CRR) as an efficient variable cost (EVC) component that can be included in price offers. However, we oppose the proposal to revisit this matter later as we maintain the view that this would prevent participants from recovering these costs and would undermine the WEM Objective to facilitate new entry and avoid discrimination. We recommend that analysing and addressing the root cause of high CRR costs should be prioritised ahead of any further consideration as to their recovery in offers. As provided in our first submission, such costs paid by Market Participants have been significant, from 1 March to 31 August 2024 CRR costs including associated uplift payments exceeded \$70 million.

We recognise the ERA's incorporation of our feedback, including to

- include additional paragraph 2.1.1.1 which recognises the uncertainty inherent in constructing offers
- remove the requirement for 'independent expert' to support the distribution of costs across run time, output and number of starts.
- remove the requirement to allocate costs 'across time and production in a uniform manner'.
- recognise that there is no intention to interfere with genuine commercial behaviour.

Specific feedback pertaining to the proposed changes to the Offer Construction Guideline is provided in the table below.

Reference/Issue	Feedback
2.1 Price offer obligations	The reference to the WEM Rule "2.16C.6CA" in the first sentence appears to be incorrect. It is not clear if this reference should be 2.16C.5 or 2.16C.6A.
2.1.1 Reasonable Expectation	<p>We recommend that the third paragraph in this section be updated as follows:</p> <p><i>'Where new or revised information becomes reasonably available to the Market Participant and that information results in changes to the Market Participant's reasonable expectation for Dispatch Intervals within the Pre-Dispatch Schedule Horizon, the Market Participant must use reasonable endeavours to update the relevant price offer in the relevant Market Submission for the relevant Dispatch Intervals before Gate Closure.'</i></p> <p>This improves consistency with the WEM Rules. Under 7.4.2, Market Participants must make "reasonable endeavours" to ensure Real Time Market Submissions for Dispatch Intervals within the Pre-Dispatch Schedule Horizon reflect all information "reasonably available" to the Market Participant.</p> <p>The qualifier of 'reasonable endeavours' is important as Duty Traders may not be able to update submissions in time due to the information becoming available too late before gate closure, especially considering the requirements that must also be met, including to:</p> <ul style="list-style-type: none"> - to maintain adequate records capable of independent verification (2.16C.3)

Reference/Issue	Feedback
	<ul style="list-style-type: none"> - to comply with documented internal governance arrangements (2.16C.3). - to ensure the information is correct and can be relied upon (2.1.2 of the updated guideline). - any methodology change represents 'good electricity industry practice' and is capable of independent verification (2.1.2 of the updated guideline). - that forecasts or estimates are based on an independently verifiable method using all information available (2.1.2 of the updated guideline). - that any change to price offers only reflects the Market Participants efficient variable costs for each Facility, in accordance with WEM Rule 2.16C.6A. <p>While we support the principle that Market Submissions be updated as soon as possible, for consistency with the WEM Rules, and given the:</p> <ul style="list-style-type: none"> - need to comply with the above requirements; - potential complexity associated with establishing 'reasonable expectation' (based on the available information) within a Material/Material Constrained Portfolio; and - the principle of balancing out gains and losses over time when dealing with uncertainty in the formation of reasonable expectation with regard to price offers, set out in paragraph 2.1.1, <p>we suggest that the ERA consider including a 'reasonable endeavours' qualifier per the drafting above.</p>

Trading Conduct Guideline

We acknowledge that it is not the intention of the ERA to interfere with offer behaviour that is genuine commercial behaviour without an intent to influence market prices. However, we remain concerned that:

- the onus of proof of compliance with WEM Rule 2.16A.3 sits solely with the Market Participant including demonstration of its intention, conduct, and reasonable grounds for including a price, quantity or Ramp Rate Limit in a Submission.
- a Market Participant does not need to intend to cause harm or to obtain a benefit to be found as being in breach of WEM Rule 2.16A.3.
- the ERA does not need to determine that a Market Participant intended to mislead or deceive and that it only needs to be likely to mislead or deceive for a Market Participant to be found in breach of WEM Rule 2.16A.3.

This approach can potentially undermine the WEM Objectives by exposing Market Participants to unnecessary compliance risk that may lead to overly conservative pricing and offer behaviour.

We recognise that the ERA has incorporated our feedback to provide an example where a Market Participant is permitted to amend offers to avoid being trapped within their FCESS trapezium.

Thank you for your consideration of Alinta Energy's submission. Should you wish to discuss this further please contact me at [REDACTED] or on [REDACTED]

Yours sincerely

[REDACTED]