[redacted]

GDF SUEZ Australian Energy

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First, reliance on centrally determined forecasts and auctions may be considered opaque and not conducive to least cost delivered energy to consumers.

pears a view that cycling through old assets quickly and developing new assets is somehow desirable as opposed to a misallocation of capital.

An alternative view is that the capacity price should enable investors to meet long run marginal costs and prolonging the life of existing capacity, and maintaining the required reserve, would be optimal to ensuring lowest delivered cost of energy to consumers. This view acknowledges that Western Australia already has the fleet that it has, these are sunk costs, and that the transition costs to an optimal fleet - assuming the current fleet is sub-optimal- is expensive and will ultimately be borne by the consumer.

Third, the achievement of consistent medium term price signals via auction is premised on a period of retirements and losses to incumbents. This is cause for concern for existing participants and may ultimately increase costs to consumers.

Transition to a capacity auction