

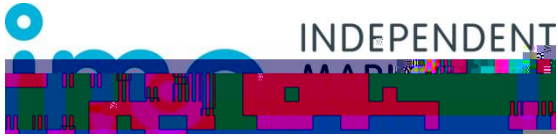


**Wholesale Electricity Market
Rule Change Submission Form**

**RC_2013_09 Incentives to Improve Availability of Scheduled
Generators**

Submitted by

Name:



The IMO appears to be incorrectly assuming that having available capacity is the same as having reliable capacity². There is no certainty that when dispatched capacity that had been made available through the Balancing Merit Order can perform and therefore meet the SWIS's reliability standards. While the expectation is that participants will in good faith bid into the market, for units, particularly those that are infrequently dispatched, there is a risk of plant failure on dispatch.

specifying the range of factors the IMO will take into account in making its decision under clause 4.11.1(h); and

the Public Utilities Office progressing necessary amendments to the Regulations to make decisions under clause 4.11.1(h) a reviewable decision.

Progression of these limited changes will address the IMO's noted concerns by incentivising Scheduled Generators to be available, while still being able to provide a clear signal for the retirement of inefficient plant. While we are supportive of this aspect of the proposal we consider that the additional proposed changes are unnecessary to incentivise availability.

Costs of implementing the proposed amendments: Alinta has not identified any costs to its business associated with these proposed changes. More broadly there may be a loss of capacity income incurred by some participants who are not fully certified.

2. Unnecessary to introduce a cap on Planned Outages and to tighten the combined outage rate

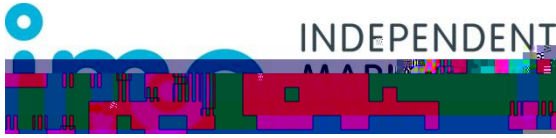
We consider that the following changes are unnecessary, will potentially distort the current incentives for centrally planning outages and result in unwarranted administration costs being incurred by the market:

progressively tightening the combined Planned Outage rate and Forced Outage rate; and

introducing a cap on Planned Outages (PO cap) under which a reduction in the RCOQ can be claimed.

We are concerned that as currently proposed the level of the cap (14.8% average over three years) may negatively impact on participants that are "doing the right thing". While we understand that the IMO is looking for a more immediate incentive to ensure facility availability, potential reductions in the level of CRC in the future will provide sufficient incentives for participants to make their facilities available. A rational investor in the WEM places significant value on having certainty around future income streams.

Imposing a limitation on the level of Planned Outages that a Facility may have over a three year period may be detrimental to reliability standards in the SWIS. This is because some facilities may need to reduce current levels of maintenance in order to make sure they do not breach the PO cap (and suffer financial penalties) there will likely be an impact on the reliability of facilities on the SWIS. Likewise there will be less opportunity for facilities to undertake upgrades that may in fact improve their overall performance. Given the nature of Alinta's generation assets it is unlikely that the proposed changes will impact on its operations, however



As a side point, we acknowledge that the IMO is looking at the incentives for centrally planning outages through a different proposal. It is unclear why this change would not be progressed as part of this package of amendments.

Costs of implementing proposed amendments: It is assumed that the proposed outage cap will be applied ex-post via the IMO's settlement processes. We note that this will require generators to continuously monitor their level of Planned Outages which will require changes to Alinta's current business practices and result in IT costs being incurred. Alinta is currently investigating the costs of any necessary changes.

3. *powers under clause 4.27*

The proposed amendments to clause 4.27 create:

- regulatory burden by enabling the IMO to request performance reports; and
- regulatory uncertainty by enabling adjustments to a participant's PO cap when the system capacity availability criterion is met.

These changes are not required to address the core issue under consideration by the IMO and should not be progressed.

Should the IMO continue to progress these changes Alinta supports any decisions to adjust a participant's PO cap being a Reviewable Decision given that there is significant discretion afforded to the IMO with respect to how exactly it adjusts the maximum number of Trading Intervals that are eligible for a RCOQ adjustment. Likewise there should be full transparency of the IMO's decision making criteria in such cases.

Costs of implementing proposed amendments: There will be costs to participants associated with the enactment of the IMO's expanded powers, in particular their ability to request performance reports. It is however not possible to estimate the costs to Alinta associated with this at this stage. They are however anticipated to be minor and infrequently incurred.

Enabling adjustments to a participant's PO cap when the system capacity availability criterion is met will have financial costs of any impacted participants through the loss of capacity revenue. Once again it is not possible to estimate these costs to Alinta at this stage though they are anticipated to be minor and incurred only infrequently.