



27 September 2018

Mr Greg Williams
Australian Energy Market Commission
201 Elizabeth Street
Sydney, NSW, 2000

Submitted via AEMC website
ERC0239

National Electricity Amendment (Generator Three Year Notice of Closure) Rule: Draft Rule Determination

Alinta Energy (**Alinta**) welcomes the opportunity to provide a submission to the Australian Energy Market Commission's (**AEMC**) *National Electricity Amendment (Generator Three Year Notice of Closure) Rule 2018 (the draft determination)*.

Alinta is an active investor in energy markets across Australia with an owned and contracted generation portfolio of nearly 3,000MW, including 1,700MW of gas-fired generation facilities and 1,070MW of thermal generation facilities. Alinta has in excess of 1.1 million electricity and gas customers nationwide, including more than 560,000 in east coast markets. Alinta is committed to renewable energy development and is actively growing its renewables position with a public commitment to reach 1000MW of renewable capacity by 2020.

The first-hand experiences of the 2016 closure of the Northern Power station in South Australia have allowed Alinta to develop a detailed understanding of some of the complexities associated with closing a large thermal generating unit in a challenging operating environment. Alinta is therefore well placed to provide informed comment to the consultation paper.

Support for intent of three-year notice of foreclosure

Alinta is supportive of the intent of the draft determination in respect of increasing overall transparency of expected generator closure dates so that the NEM has sufficient time to plan adequate replacement capacity and undertake investment decisions. In Alinta's view the draft three-year notice of closure rule change seeks to appropriately balance these complexities.

Alinta is aware that other market participants are advocating for an increased five-year notice period. As identified in the draft determination, there are several complexities associated with participants committing to closure dates several years in advance, and these complexities would be magnified under a notice period which extends beyond three years. In Alinta's view the rule should be balanced against these pragmatic concerns.

Exemption criteria

Alinta's main concerns with the initial rule proposal centred around ensuring adequate protections exist to control for:

- unpredictable events such as generator catastrophic failure or mine site flooding etc; and
- scenarios where a participant's ongoing commercial viability would be negatively impacted if it was required to continue to operate a commercial loss-making facility.

Noting these points, Alinta considers that the construction of clause 2.10.1(c2) ensures that if unpredictable events similar to those outlined above occur, causing directors to determine that closure is necessary within three years, the exception will apply. Alinta is supportive of this exemption clause.

Implementation and transitional arrangements

The draft determination has identified that AEMO and participants will be required to update registration and ESOO/PASA processes to reflect the new requirements of the draft rule. Alinta is of the view that adequate time and guidance should be given to both participants and AEMO to ensure they are able to implement and comply with the new processes and protocols arising from this rule change.

Given, this Alinta supports the proposal to allow generators a period of 6 months, from the date the rule is to schedule to be implemented (November 2018), to update processes and prepare for compliance with the new rule. This would make the effective compliance date April 2019.

Suggested minor refinement

Civil penalty provision

Alinta notes the draft recommendation that clause 2.10.1(c1) should be classified as a civil penalty provision. In Alinta's view the reputational damage associated with failing to provide adequate closure notice already represents a strong enough incentive to meet the compliance objectives of the rule. As such, Alinta believes it would be unnecessary for the COAG Energy Council classify this rule as a civil penalty provision.

Conclusion

Alinta looks forward to participating in the AEMC's ongoing consultation process. Please contact Mr Anders Sangkuhl via email: anders.sangkuhl@alintaenergy.com.au or by phone 02 9375 0992 if you have any queries in relation to this submission.

Yours sincerely,



Jacinda Papps

Manager, National Wholesale Regulation