



27th October 2014

Mr John Pierce,  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Submitted online Ref: ERC0160

Dear Mr Pierce

**National Electricity Amendment (Governance Arrangements and Implementation of the Reliability Standard and Settings) Rule 2014**

Alinta Energy welcomes the opportunity to make a submission in response to the Australian Energy Market Commission's (AEMC) consultation paper on the *National Electricity Amendment (Governance Arrangements and Implementation of the Reliability Standard and Settings) Rule 2014* (the consultation paper).

Alinta Energy is an active investor in the energy retail, wholesale and generation markets across Australia. Alinta Energy has around 2500 megawatts of generation capacity in Australia (and New Zealand) and a growing retail customer base of over 750,000.

This submission outlines Alinta Energy's perspective on the select issues raised in the consultation paper and is made to complement the Energy Supply Association of Australia's submission, of which Alinta Energy is broadly supportive.

**Governance of the reliability standard and reliability settings - Is there a problem to be addressed?**

Alinta Energy understands this rule change process was instigated as part of the AEMC's 2010 extreme weather review, which focused on the perceived inefficiencies in existing governance arrangements in relation to setting and implementing the reliability standard and settings.

As part of the 2010 review concerns were raised over the current arrangements whereby separate decision making bodies may (under certain circumstances) restrict the ability of the market to respond in a timely manner in light of potential extreme weather events. Additionally, the review raised concerns over maintaining consistency in determining the reliability standard through a single decision making body. As such, the existing consultation paper proposes to remove the reliability panel's responsibility in setting the reliability standard, and pass this responsibility onto the AEMC.

In short, Alinta Energy does not consider there to be a major problem with the existing arrangements and as such there does not appear to be any major governance issues that needs to be overcome in this area.

In Alinta Energy's view the existing arrangements serve the market well; whereby the Reliability Panel's tasks are to review the NEM power system standards and provide guidelines to assist AEMO and the AEMC operationally applying the system security, reliability functions and market parameters. Additionally, the membership of the reliability panel provides a diverse mix of views where industry, consumer groups and AEMO/AEMC staff are all represented, from Alinta Energy's perspective any reforms which diminish this arrangement can only represent a loss to the market overall.

However, Alinta Energy is not of the view that just because existing arrangements are serving the market well, that additional efficiencies can't be gained. For example, potentially implementing an expedited rule change process on the basis of the reliability panel recommendations could simplify the existing arrangements and consultation process. Nonetheless, Alinta considers it important to retain a process whereby participants have the ability to raise concerns, which if material would require the AEMC to progress a standard rule consultation change. Alinta Energy understands the ESAA submission has suggested something similar to this affect.

To summarise; Alinta is not supportive of the rule change proposal to remove the Reliability Panel's responsibility for setting the reliability standard, and require the AEMC to take on this role. Alinta Energy is supportive of the existing process whereby the Panel's role is to deterministically set the reliability standard and then provide an advisory role to the AEMC in implementing the use of the standard.

### **Implementation of the reliability standard**

Alinta Energy understands the consultation paper raises concerns that AEMO may currently be constrained in their ability to adopt sophisticated techniques for managing the reliability standard and that there is currently no set process within the rules for determining short term and medium term reserve requirements.

As outlined above, Alinta Energy is of the view that the NEM has been comfortably meeting the reliability standard for a number of years, and as such do not believe that there is likely to be a huge failing in AEMO's current ability to implement operational tasks in order to meet the reliability standard. Additionally, Alinta Energy understands that AEMO has the power through the Reliability and Emergency Reserve Trader Mechanism to contract for additional generation if it is forecast that the reliability standard may not be met.

As such, Alinta Energy does not believe additional reform is required in this area. Nonetheless, Alinta Energy would be very interested in reading AEMO's submission to ascertain what issues may exist.

### **Conclusion**

Alinta Energy appreciates the role of the AEMC in assessing the role of Reliability Panel and potential reforms in increasing transparency and efficiencies in the existing governance arrangements. Nonetheless, Alinta Energy's believes the consultation paper has failed to progress any substantial arguments which would necessitate governance reforms at this time.

Apart from the minor efficiency reforms outlined above, Alinta Energy does not support the proposed removal of Reliability Panel's responsibilities in setting the reliability standard, and as such; is in favour of supporting the status quo arrangements at this time.



Should you have any queries in relation to this submission please do not hesitate to contact Mr Anders Sangkuhl, on telephone, 02 9375 0962.

Yours sincerely,

A handwritten signature in black ink, appearing to read "M Sheppard". The signature is written in a cursive, flowing style.

**Michelle Sheppard**  
General Manager,

Regulatory and Government Affairs