

Reliability Standard and Settings Review 2014

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Discussion Points

1. Alinta Energy's perspectives
2. Alinta Energy position on key reliability settings
3. No certainty existing settings are optimal – some issues have been identified
4. Review has explored a range of complex issues but has failed to progress a numbers of the matters
5. Existing arrangements encourage complexity
6. Significant further work required by AEMC or Panel



Alinta Energy's perspectives

- USE continues to be an appropriate measure and is not a matter of contention
- 2010 review failed to raise MPC as determined appropriate by ROAM modelling
- Position on market risk, transmission risk and carbon tax risk and general reluctance to increase MPC in environment of consumer concern over electricity prices undermines these processes
- These considerations are irrelevant unless they have implications for supply and demand balance
- View that investment occurring, and the USE is being met, is not the same as a retaining market settings as they are most appropriate settings for market
- MPC, CPT, MFP are distortions and first question should be are they needed, and if so what level can they be set at which minimises or reduces likelihood of interference
- Rationale for guarding existing price controls institutionalised, even where objective of each not necessarily clear in present form
- The Panel has shown that the current settings are distortive given they are well below what is needed for an independent new entrant - doesn't allow mix of commercial positions
- It is important the Panel critically assesses the drivers of positions for no change

Alinta Energy's position on key settings

Market Price Cap

- Confusion over rationale for existence - entertaining a reduction is illustrative of approach
- The MPC required under the extreme peaker model, being the price signal needed to signal scarcity, is greater than the existing MPC and much greater than ROAM's cap defender approach

Cumulative Price Threshold

- Multiple opportunities to review rationale – overlooked again
- The purpose of the CPT is to ensure participants, who are prudently hedged and managed, can absorb the effects of extreme prices using available products, like hedges and insurance, to a point where market efficiency is not undermined. Unlikely to be perfectly correlated with the MPC.

Market Floor Price

- Existence at current level seems arbitrary but having real consequences

Indexation

- Illustrative of poor compromise outcomes – a ongoing political compromise

Role of Value of Customer Reliability



Review has identified a number of key issues . .

*. . . the Panel considers there is value in drawing on the results of ROAM's two modelling approaches (the extreme peaker and cap defender approaches) to help guide the discussion with respect to an appropriate value of MPC. On this basis, the appropriate level of the MPC to apply from 1 July 2016 is unlikely to be as low as the outcome of the cap defender approach (that is, \$9,000/MWh), and not as high as the outcome of the extreme peaker approach (that is, \$23,000/MWh). **The Panel notes that the current value of the MPC (\$13,100/MWh) sits within this range.***

- The justification for no change is at least mixed on a number of occasions
- Push to clarify way forward is helpful but highlights the value of these reviews especially when some of these issues have been raised in consecutive reviews
- Analysis of an MPC optimal level, the best way of modelling the MPC and the need for detailed discussions on indexation approaches are all derived from a requiring an intervention
- Issues concerning the use of the MFP have not been dealt with and relying on OFA implementation may be appropriate but may not ultimately deliver change

. . . further work required by Panel or AEMC

