



7 November 2013

Mr Daniel Hamel
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Mr Hamel

Negative offers from scheduled network service providers

Alinta Energy welcomes the opportunity to make a submission in response to the Australian Energy Market Commission's (AEMC) draft rule determination entitled *National Electricity Amendment (Negative offers from scheduled network service providers) Rule 2013* (the Rule change proposal) issued 26 September 2013.

Alinta Energy considers the issue of scheduled network service provider (SNSP) bidding, in this case the operation of Basslink, as one that conflicts with the competitive intent of the National Electricity Market (NEM). Alinta Energy previously expressed concern about this issue as part of the Tasmanian Electricity Supply Industry Expert Panel review and in response to the AEMC consultation paper.

Alinta Energy made a considered effort to work through the issues in its submission; however, these concerns and perspectives were effectively sidelined. While Alinta Energy welcomes the AEMC's recommendations to implement a consistent price floor for SNSP it is acutely aware this review, like others before it, does not resolve any of the substantive issues.

In that sense, suggesting the issue of negative bidding is divorced from the wider suite of issues listed by the AEMC automatically undermines the value of the AEMC's analysis, despite more than 12 months of review time. Understandably, while many of these aspects are beyond the AEMC's control it is not clear whether the AEMC, or any other body, has suggested an avenue to give these additional issues the attention they deserve.

Further, the substantive questions posed by Alinta Energy remain unanswered. Firstly, whether economic efficiency is impeded by allowing SNSP's to bid in a manner which disguises the price of competing generation energy offers; and secondly, whether a SNSP's ability to bid positive or negative is fundamental to the financial viability of SNSPs, so that if such SNSP bidding was no longer provided for it would undermine future efficient investment in inter-connection.

In any case, the absence of support for a wider review of the role of SNSPs or the issues the specific Basslink circumstances raise, represents the ongoing failure of regulatory and policy making institutions to resolve these constraints on competition and trade. This has arguably had a demonstrated negative impact on competition, including recent policy failures.

In the absence of a broad review, the benefits of alternative arrangements, for instance summed bids of generators and SNSPs not equalling more than the existing price settings in either direction, are matters the AEMC should also give further consideration to.

Notwithstanding the above, Alinta Energy appreciates that the AEMC's optional firm access model, or a derivative, may work to address some of these concerns and understands the AEMC is currently working on developing the implementation plan to test these arrangements. Alinta Energy continues to look forward to further engagement with the AEMC on this developing work stream.

Finally, while elements of the policy-making institutions have a bias against generators or retailers owning transmission for fear of them utilising these assets to mute competition, even where this is unlikely to be the case, the one notable and proven instance where this is a legitimate concern has resulted in no discernible action by government or relevant bodies for an extended period of time.

Alinta Energy welcomes the rule change proposal as an incremental step, notwithstanding the issues outlined above.

Should you wish to discuss this issue in further details please do not hesitate to contact me on (02) 9372 2633.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "J. Lowe". The signature is fluid and cursive, with the first letter of the first name being a large, stylized 'J'.

Jamie Lowe
Manager, Market Regulation