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Public Utilities Office
Department of Treasury
Locked Bag 11
Cloisters Square WA 6850

By email: PUOSubmissions@treasury.wa.gov.au

Attention: Mr Ashwin Raj

Dear Mr Raj:

Proposed approach to implement constrained network access

We refer to the consultation paper titled "Improving access to the Western Power Network – Proposed approach to implement constrained network access" published by the Public Utilities Office (PUO), Department of Treasury on 9 August 2018.

TransAlta would like to thank the PUO for the opportunity to comment on the issues raised in the consultation paper, the associated industry forum held on 3 August 2018 and the modelling results for our facilities. This submission does not contain any confidential information and we would be pleased if you could publish it as part of the consultation process.

TransAlta has been in business in Australia since the mid-1990s and specialises in the provision of power to customers through development of long-term, strategic relationships. We supply power to large-scale mining and processing operations and to the Wholesale Electricity Market (WEM) within the South West Interconnected System (SWIS) and also to customers in the North West Interconnected System (NWIS) in the Pilbara region of Western Australia. Most recently, we commissioned a 150MW combined cycle power station in South Hedland.

TransAlta (through subsidiaries) is a Market Participant in the WEM with the following interests:

- Goldfields Power Pty Ltd (GLDFLDPW) is owned in a joint venture with Newmont and operated by TransAlta, and
- Southern Cross Energy (STHRNCRS) is wholly owned and operated by TransAlta.

Reform benefits

TransAlta welcomes the approach adopted by the PUO to apply a standard cost benefit analysis to the three reform alternatives for access to Western Power's network. We note that the estimated net benefit for moving to the preferred option of fully constrained network access is estimated at \$288 million over the 50-year modelling period. Considering the time period and the inherent difficulties with forecasting accuracy over such a long period the result is not entirely compelling. It would be very important to ensure implementation costs are contained as any material increases would detract from the small net benefit that is currently estimated.

TransAlta would like to thank the PUO for sharing the individual modelling results for GLDFLDPW and STHRNCRS with us. We welcome the opportunity to provide further input to any future modelling exercise or re-run of the modelling that has been completed to date if that is deemed necessary.

Compensation

TransAlta agrees that generators that currently hold firm access rights should be compensated if these rights are revoked and they suffer from it. The principle should be to ensure that no generator with existing rights is financially worse off due to the reforms. We would welcome further details on the proposed compensation mechanism to allow us to assess it properly and provide constructive feedback.

Any compensation would need to cover both energy and capacity credit related impacts. For capacity credits our preference is to receive compensation 'in kind' in the form of an ongoing allocation of capacity credits rather than a financial payment based on a market capacity price. We believe in kind compensation will make it easier to deal with bilateral contract commitments parties have entered into outside the market.

Finally, it will be important to consider how historical capital contributions and ongoing connection charges made by generators for deep network augmentation is treated when designing the compensation mechanism. These payments are often significant and were made specifically to allow Western Power to provide firm network access. Once firm access rights fall away it would be reasonable that refunds of any amounts that are not fully depreciated are provided to generators.

Western Power Immunity

Any statutory immunity that may be granted Western Power should be drafted to ensure it is strictly limited to providing relief for monetary liability for not providing access to its network in accordance with current agreements. The immunity needs to be drafted in such a way that it cannot be relied upon as a way for Western Power to escape liability for convenience. Again, TransAlta will be interested in further detail on this issue, including being consulted on any drafting of legal instruments to provide any statutory immunity.

Implementation Time Frame


Although TransAlta believes the proposed implementation plan, with go-live scheduled for 1 October 2022 is tight, we are committed to working with PUO, AEMO and the industry to achieve this. Key for us will be to be provided with details of rule changes, legislative amendments and

system changes as soon as possible. This will allow us to provide relevant input into the overall design of the reforms and allow sufficient time to prepare for any changes to our business.

The reforms would likely require a complete system rebuild both for AEMO and for Market Participants. TransAlta queries whether the reform process could allow for development of an 'off-the-shelf' system for Market Participants to facilitate day to day interactions with the market and AEMO's systems. If this was developed in parallel with new AEMO systems, we expect that there should be benefits to the market including lower IT implementation costs and making the testing and debugging process leading up to the go-live date more streamlined. Ongoing maintenance would be required and could be covered via some sort of separate subscription fee for Market Participants that elect to use the off-the shelf system.

Yours truly,

TransAlta Energy Australia Pty Ltd



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