

27 April 2016

Simon Middleton
Public Utilities Office, Department of Finance
Level 1, Albert Facey House
469 Wellington Street
Perth WA 6000

Dear Simon,

Response to Position Paper: Design Recommendations for the Wholesale Energy and Ancillary Service Markets – TransAlta

TransAlta has reviewed the position paper containing suggested reforms to the Wholesale Energy and Ancillary Service Markets (**Position Paper**), as issued by the Public Utilities Office (PUO) in March 2016 and welcomes the opportunity to make comment on the proposed changes.

TransAlta Energy (Australia), through its various subsidiary companies and partnerships, acts as a Market Generator, Market Customer, and Network Operator (uncovered) in the Wholesale Energy Market.

TransAlta is supportive of the objectives and principles outlined in the Position Paper and of the general outcomes that have been proposed in the Position Paper. We would like to make a number of comments on specific parts of the changes that have been proposed in the hope we can make a positive contribution to the reform discussion.

Intermittent Load Arrangements

PUO Proposal: No justification has been found to abolish existing Intermittent Load arrangements.

Comment: The objectives of this reform include avoiding excessive implementation costs where there is no apparent benefit to the market. TransAlta therefore supports the PUO's proposal to retain the existing Intermittent Load arrangements but makes a number of comments in regards to the proposal.

Intermittent Load arrangements are useful when a generator and customer (typically a large industrial user) build or have built generation facilities co-located with a specific load so as to be largely self-sufficient from an electricity supply perspective. Market arrangements are not the primary focus for those parties. More specifically:

- Removing the Intermittent Load status would necessitate reconfiguring existing electrical systems, the installation of additional tariff-class meters at each generation / load point and potentially upgrading the existing infrastructure to facilitate these changes. These costs would be significant and for no apparent benefit.
- TransAlta would like to highlight that there have been no apparent issues with the safe and efficient dispatch of the power system related to Intermittent Loads, so the effective disaggregation of 'behind-the-fence' facilities would create complication without providing benefit.

If real issues do exist with the safe and efficient dispatch of the power system related to Intermittent Loads, those issues should be openly discussed with industry.

- The Position Paper notes (§5.2.5) that the new Intermittent Load arrangements should:

“ensure that the Intermittent Load capacity used in the calculation of Individual Reserve Capacity Requirements accurately reflects the Australian Energy Market

Operator's reasonable expectation of what the Intermittent Load may draw from the South West Interconnected System as the result of a forced or planned outage of its generating units "

We note that the determination of the Individual Reserve Capacity Requirement associated with an Intermittent Load is based not only on the impact of the planned or unplanned outage of a generator, but also the probability of a generator supplying the Intermittent Load being out-of-service.

Network Definitions and Registration Classes

PUO Proposal: To adopt the registration classes and supporting terminology used in the National Electricity Market.

Comment: TransAlta, through its various business entities is a Network Operator and a Market Customer/Market Generator operating Intermittent Loads. We offer a number of comments in relation to the specific arrangements currently in place and we support reform that will allow these complex arrangements to continue.

Network Operator Provisions

TransAlta, through its wholly owned subsidiaries comprising the Southern Cross Energy Partnership, operates significant network transmission and distribution assets in the Eastern Goldfield Region and is currently operating under an exemption from the requirement to be a registered Network Operator under the Wholesale Electricity Market rules. This exemption, and exemptions in general, have not been discussed in detail in the position paper.

Decisions that may impact upon these exemptions carry significant risk. For instance, the inclusion of another Network Operator, such as the network operated by Southern Cross Energy Partnership, will impact on the complexity of proposed market systems and processes with little benefit to industry.

The adoption of NEM registration classes is also an issue that is being considered within the Network Regulation workstream. While no position paper has been released on this workstream yet, TransAlta expects there are significant interactions between the two workstreams that should be considered together.

Intermittent Load Arrangements and Facility Aggregation

The facility aggregation provisions of the National Electricity Rule are discussed briefly in the Position Paper. It would seem the new provisions that would apply in the WEM may need careful consideration to allow for the operation of Intermittent Loads, where the generation and load facilities operate in an integrated manner.

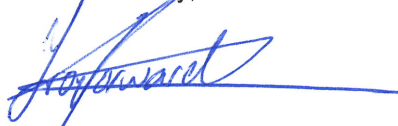
TransAlta requests that the PUO take the above comments into account and provide detailed information on how facility registration will work for Intermittent Loads, for Network Operators other than Western Power, and how existing exemptions will be dealt with going forward.

General

TransAlta supports reforms that minimise changes to existing IT systems and processes, since the cost of change to market participants may be significant. These costs should not be underestimated, and without detailed understanding of the benefits expected from the reform process, we support simplicity where complicated changes cannot be shown to deliver overall improvement to the market.

If you have any questions regarding this submission please contact me on 9420 0628.

Yours sincerely,



Troy Forward
Commercial Manager