27 October 2008

Allan Dawson
Chief Executive Officer
Independent Market Operator
Level 3, Governor Stirling Tower
197 St Georges Tce
Perth WA 6000

By email: marketadmin@imowa.com.au

Dear Allan

WEM Rule Change Proposal RC 2008 28 – Eligible Services for Supplementary Reserve Capacity

Thank you for the opportunity to provide comments on Rule Change Proposal RC 2008 28 "Eligible Services for Supplementary Reserve Capacity". This letter sets out the view of Alinta Sales Pty Ltd (Alinta).

The proposed change

On the 11th of September 2008 the Independent Market Operator (IMO) submitted RC 2008 28. The IMO proposed to change the Market Rules in relation to eligibility criteria for participating in Supplementary Reserve Capacity (SRC) provision.

Currently, the Market Rules excludes all Registered Facilities from providing SRC. The rule change proposal seeks to amend the Market Rules to allow Registered Facilities that have spare capacity in the current capacity cycle (capacity for which they do not hold Capacity Credits) but which hold Capacity Credits for future capacity cycles to participate in provision of SRC.

Alinta's view

Alinta agrees with the rule change proposal. In the event that SRC is called it is in the interest of all market participants that as many potential providers of SRC are allowed to compete for the provision of the service as possible. This has to be balanced against the obvious potentials for gaming the SRC requirement by withholding capacity. Alinta considers that the change proposal strikes an appropriate balance between avoiding the potential for gaming and maximising the availability of SRC providers in the event that SRC is called. However, we do note that the proposed rules may still prevent some service providers from participating that would not have been available for reserve capacity in any case. For example, a generating facility intending to decommission may defer this if they could meet an SRC requirement, potentially at a far lower cost to alternative sources. Their lack of future accreditation under the proposed rules would prevent this. Alinta recommends that while the current proposal is a step in the right direction, future developments in this area should consider enticing other potential sources of SRC whiles still preventing any gaming.

As the proposal would increase the competitive tension in providing the SRC service, Alinta considers it would promote achievement of objectives (a) and (d)[1] of the Market Rules. Alinta considers the change proposal would not be an impediment to achieve any of the other Market Objectives.

IT systems and cost implications

Alinta has not identified any significant cost impact for its own IT systems.

Time required for implementation

Alinta does not require any specific lead time to allow implementation of the proposal.

Please call me on 08 9486 3313 to discuss any of the issues raised in this letter in more detail.
Yours sincerely

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Kristian Myhre
Manager Market Analytics
Alinta Sales Pty Ltd

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[1] The objectives of the Market Rules are contained in Market Rule 1.2.1 and are:
(a) "to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West Interconnected System"
(b) "to encourage competition among generators and retailers in the South West Interconnected System, including by facilitating efficient entry of new competitors"
(c) "to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions"
(d) "to minimise the long-term cost of electricity supplied to customers from the South West interconnected system"
(e) "to encourage the taking of measures to manage the amount of electricity used and when it is used"