

Wholesale Electricity Market Rule Change Proposal Submission

RC_2017_06: Reduction of the prudential exposure in the Reserve Capacity Mechanism

Submitted by:

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Submissions on Rule Change Proposals can be sent by:

Email to: rcp.secretariat@rcpwa.com.au

Post to: Rule Change Panel
Attn: Executive Officer
C/o Economic Regulation Authority
PO Box 8469
PERTH BC WA 6849

1. Please provide your views on the proposal, including any objections or suggested revisions.

Alinta Energy (**Alinta**) welcomes the opportunity to provide a submission to the Rule Change Panel (**RCP**) on its Draft Rule Change Report for the Rule Change Proposal: *Reduction of the prudential exposure in the Reserve Capacity Mechanism (RC_2017_06)*.

As noted in its first submission Alinta supports the rule change proposal, particularly the amendment to reduce the period of time an Individual Reserve Capacity Requirement (**IRCR**) liability is held by three months. Alinta considers that this resolves an outstanding issue that the market has sought to deal with for a number of years.

Alinta thanks the Rule Change Panel for its consideration of submissions on the proposed transitional arrangements and supports its decision to implement the “drop-dead approach”. This approach will minimise the operational impact on retailer’s settlement and billing systems and processes and will therefore minimise any potential impacts on customers.

Reviewable decisions

The Rule Change Proposal seeks to replace the concept of an initial and updated IRCR with the concept of a monthly IRCR (clause 4.28.7). Under the proposed changes, the IRCR will be calculated retrospectively after the actual Trading Month it applies to, and an Indicative IRCR will be calculated before the relevant Trading Month.

As part of its Draft Rule Change Report, the Rule Change Panel sought feedback on whether clause 4.28.7 should remain a Reviewable Decision.

Alinta considers that, while the rationale for clause 4.28.7 being a Reviewable Decision may have changed due to the proposed amendments, the Public Utilities Office has a significant work plan for the coming years and amendments to the Reviewable Decision regime are not currently a high priority.

Alinta considers that the likelihood of spurious Reviewable Decision requests is low. This is due to the IRCR process allowing for any anomalies to be identified (i.e. between the Indicative IRCR and the actual IRCR processes). As such, Alinta recommends that clause 4.28.7 remain a Reviewable Decision until a more holistic review of Reviewable Decisions is undertaken, noting that such a review is a very low priority.

2. Please provide an assessment whether the change will better facilitate the achievement of the Wholesale Market Objectives.

Alinta agrees with AEMO's assessment that the broader rule change, which seeks to minimise the prudential risk arising from a defaulting Market Customer's IRCR liabilities, better facilitates the achievement of Wholesale Market Objectives (a), (b) and (d).

3. Please indicate if the proposed change will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.

The proposed amendments will have implications for Alinta's billing and settlement IT systems as well as our business processes.

4. Please indicate the time required for your organisation to implement the change, should it be accepted as proposed.

Alinta notes that the Rule Change Panel proposes to commence the proposed amendments on 1 October 2018. Under the current timeline, this allows around 6 months for implementation from the Minister's approval deadline for the Rule Change Proposal. Alinta will be able to update its IT systems and business processes well within this timeframe.