



29 January 2015

Mr Matt Zema
Managing Director and Chief Executive
Australian Energy Market Operator
GPO Box 2008
Melbourne VIC 3001

Via email: OFAConsultation@aemo.com.au

Dear Mr Zema,

Alinta Energy (**Alinta**) welcomes the opportunity to make a submission in response to the *Optional Firm Access Draft Report (the Report)* from the Australian Energy Market Operator (**AEMO**) and appreciates the detailed work in this area undertaken by the AEMO to date.

Alinta is an active investor in the energy retail, wholesale and generation markets across Australia. Alinta has around 2500 megawatts of generation capacity in Australia (and New Zealand) and a growing retail customer base of over 800,000.

Alinta is currently a member of the Optional Firm Access (**OFA**) industry working group hosted by the Australian Energy Market Commission (**AEMC**).

Background

Alinta understands that AEMO was directed by the Council of Australian Governments Energy Council to work in collaboration with the AEMC on a number of identified elements of OFA which have the potential to be introduced earlier than the full OFA model on either a national or regional basis, including access settlement.

It is understood that the intention of the investigations by the AEMO and AEMC is to potentially assist in facilitating the future implementation of the full-scale OFA framework as well as resolving potential issues early on, such as: disorderly bidding, inefficient dispatch outcomes and reduced/reversed flows on the interconnector. It was also anticipated that an early introduction of the access settlement model could deliver some early benefits.

Draft decision to not implement early access settlement

It is Alinta's view that at a conceptual level the full OFA model has the potential to provide a range of benefits as documented in the Report. Additionally, the access settlement model has the potential to create an improved incentive structure which may contribute towards a more efficient market dispatch. Nonetheless, whether these benefits can be achieved in practise is looking increasingly uncertain. This is especially true if the access settlement model is developed independently of the full OFA model which is currently being designed by the AEMC.

In this context Alinta notes the Report's conclusion that implementing access settlement in advance of other elements of the OFA model would be unsuitable and impractical given the interlinkages between several of the OFA components. Furthermore the Report outlines that the likely benefits of any early implementation will not exceed the expected costs of early implementation.

While it is disappointing that the potential benefits of implementing the access settlement model earlier than the broader OFA model will not become realised, Alinta supports AEMO's decision to not

proceed with implementing the access settlement model at this time. This is because a number of important aspects of the OFA model are still undergoing design by the AEMC which would need to be accounted for in any final access settlement model. As such, it appears reasonable to delay the implementation of an early access settlement model, pending conclusion of the AEMC's OFA design and consultation processes.

Going forward

Alinta appreciates the work AEMO has undertaken to date in investigating the access settlement component of OFA and is generally supportive of AEMO, in conjunction with the AEMC, continuing to investigate known shortfalls of the OFA model with a view to addressing any deficiencies.

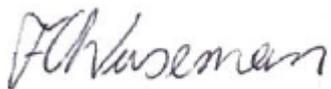
Going forward, Alinta notes the various potential implementation pathways available including:

- Temporal staging;
- Geographic staging; and
- Simultaneous staging.

Whilst simultaneous staging was successfully applied during the abolition of the snowy hydro region, Alinta is of the view that determining a pathway at this point in time whilst some elements of the OFA model are still being developed by the AEMC would be inappropriate. As such Alinta will defer comment on potential implementation pathways, pending the outcome and detailed assessment of the AEMC's broader OFA determination.

Should you have any queries in relation to this submission please contact Mr Anders Sangkuhl on (02) 9375 0962.

Yours sincerely,



Fiona Wiseman
Wholesale Regulation Manager