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Australian Energy Market Operator
Submitted via e-mail:
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Declared NEM Project – 5MS Program

Alinta Energy welcomes the opportunity to provide a submission to the Australian Energy Market Operator's (**AEMO**) *Declared NEM Project (the consultation paper)* which considers options to determine the existing Five Minute Settlement (**5MS**) program as a declared NEM project.

Alinta Energy is an active investor in energy markets across Australia with an owned and contracted generation portfolio of nearly 3,000MW, including 1,700MW of gas-fired generation facilities and 1,100MW of thermal generation facilities, and more than 1.2 million electricity and gas customers including more than 650,000 in east coast markets.

As an active user of NEM trading systems, settlement systems, forecasting tools and wide array of other associated brokering products, Alinta's systems and processes are affected by the implementation of 5MS. Alinta Energy is also subject to any market fees applied by AEMO as a result of the 5MS upgrade programme, as both a retailer and generator trading participant.

Declared NEM Project

Alinta Energy notes that pursuant to clause 2.11.1 (ba) of the NER, AEMO may determine certain projects or work programmes to be defined as "declared NEM Projects" and, when such a determination is made, AEMO must consult with registered participants to determine the structure of additional Participant fees to be used in the recovery of costs associated with a declared NEM project.

In the next stage of consultation, Alinta Energy would find it beneficial if AEMO made a recommendation as to what AEMO's preferred option is and why. If it is easier for AEMO operationally to declare 5MS a "declared NEM project", articulating this view to participants would be beneficial.

Further Information and Analysis

The detailed assessment of the costs associated with the impacts on AEMO of the 5MS programme are absent this initial consultation paper. Alinta Energy appreciates that this may be a result of early stage of AEMO's 5MS cost planning process. However, without a clear understanding of the cost impacts via the proposed system changes, the case for engaging in debate on whether 5MS can be deemed a "declared NEM project" is highly

challenging. At present participants have limited visibility of proposed costs in relation to AEMO's individual metering, settlement, prudential and wholesale market systems.

Such a significant and material proposed costings that AEMO is contemplating under the 5MS programme, warrants a comprehensive analysis of individual costings at the process level, where complexities can be raised, and questions posed about the scale of the changes required to implement the 5MS project envisaged.

As such, the provision of the following information by AEMO would assist participants consider the implications of "Declared NEM Project" status:

- Does the granting of "Declared NEM Project" status change the fee structure methodology for the recovery of costs across participants? It is not clear from the consultation paper if the granting of "Declared NEM Project" status will change the normal methodology for cost-recovery and if that will subsequently impact certain NEM participant categories differently.
- Does the granting of "Declared NEM Project" allow AEMO to recover costs from market participants from 1 July 2020 or earlier? The recent introduction of the VDO and DMO regulations constrains the ability of retailers to pass on costs through tariffs which have not been captured within existing VDO/DMO calculations. As such, any abnormal or non-reoccurring items relating to regulatory reforms must be accounted for and communicated to participants and the ESC/AER to accurately capture the costs associated with implementing these projects in retail tariff setting processes.
- Initial high-level costings from AEMO have indicated the costs associated with the 5MS programme will be approximately \$121 million for AEMO. Whilst this initial analysis is useful, participants currently have little information on how these costs were determined and what specific areas of AEMO's individual systems they will be applied against. In addition, participants currently have limited transparency to determine whether AEMO's system upgrade costs are being costed under the 5MS project umbrella, when costs may be more appropriately contained within AEMO's existing budget. This is not to say this is occurring, only that participants require a greater level of transparency for comfort and allow participants to equally be able to justify and understand how AEMO's proposed 5MS project costs are being treated. Given the current regulatory environment it is imperative that we are able to adequately justify significant costs impacts and any subsequent impact on customers. Alinta Energy would encourage AEMO within the next stage of consultation to provide an itemised cost structure which provides granularity to assess which AEMO process/ system individual costs are being applied against and to what extent.
- To ensure that any material increase in participant's market fees are adequately justified, comparative benchmarking should be considered and provided to participants as part of the consultation process.
- Alinta Energy is aware of a growing view amongst industry participants, that some of the proposed modifications to AEMO systems may potentially go beyond what is

directly required as a result of the 5MS project. To be clear Alinta Energy only supports project spend which is directly related to the 5MS project being considered under a “declared NEM project” deeming. Project spend which is only peripherally related to the 5MS project, should not be included within the 5MS project deeming. The request above for broader budget granularity on the proposed project costings will alleviate participants concerns in this area.

Whilst, Alinta Energy appreciates some of the issues above were not actively contemplated within the initial consultation paper, they are worth raising as issues which AEMO should be actively canvassing in the next stage of consultation.

Conclusion

Alinta Energy would encourage consideration of the points raised above and looks forward to participating in the next stage of AEMO's consultation process.

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Yours sincerely,

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