18 August 2022

Australia Energy Market Commission
Level 15
60 Castlereagh Street
Sydney NSW 2000

By email: submissions@aemc.gov.au

Dear Sir/Madam

Request by Alinta Energy to amend the Administered Price Cap

We refer to the Statutory Notice dated 4 August 2022 issued under the National Electricity Law concerning the urgent Rule request submitted by Alinta Energy (**Notice**).

The Notice refers to the proposal from Alinta Energy requesting an amendment to the Administered Price Cap. The Notice also indicates the AEMC intends to expedite the process under section 96 of the National Electricity Law as it considers the proposed Rule to be urgent, subject to requests that it not do so. The purpose of our writing is to make a written request that the AEMC not expedite the proposal.

As you know, section 87 of the National Electricity Law defines an "*urgent Rule*" as:

> *a Rule relating to any matter or thing that, if not made as a matter of urgency, will result in that matter or thing **imminently prejudicing or threatening**—*
>
> *(a) the effective operation or administration of the wholesale exchange operated and administered by AEMO; or*
>
> *(b) the safety, security or reliability of the national electricity system.*

Section 96 of the National Electricity Law provides for an abridged process of issuing a final Rule determination for urgent Rule requests.

The AEMC has indicated it considers the Rule requested by Alinta Energy to be an urgent Rule for the purposes of section 96. This letter is a written request for the purposes of subsection 96(3) of the National Electricity Law that the AEMC not treat the request as an urgent Rule for the following reasons.

We do not consider that the Rule relates to a matter that, if the Rule is not made as a matter of urgency, will result in that matter "imminently prejudicing or threatening" the operation and administration of the wholesale market or threaten system security. We do not consider the Rule change request relates to a matter of imminent (ie, impending or urgent) risk.

This specific rule change is not urgent because physical generation withholding did not take place in around June/July 2022, financial mechanisms to compensate generators worked as intended, and the fundamental conditions that created the crisis have abated.

The concurrent and unprecedented issues that created high price outcomes leading up to market suspension on 15 June 2022 have subsided and further reduce the urgency of the Rule change (to the extent the Rule is necessary at all).

In particular, we note the following currently subsisting circumstances which mean the Rule is not urgent:

(a) very low baseload generation availability due to unscheduled outages and scheduled maintenance being extended especially in QLD and NSW coal and to a lesser extent Victorian brown coal;

(b) very high coal prices and reduced coal availability due to multiple floods in the Hunter Valley region and elevated export demand due to the onset of the Russia-Ukraine war;[1]

(c) gas prices reaching record highs during winter peak demand; and

(d) Snowy Hydro's TUMUT3 unit being constrained down due to downstream flooding.

Given these circumstances, the Rule sought is not an urgent Rule and therefore the AEMC must not make the Rule in accordance with section 96 of the National Electricity Law. As you will appreciate, unless AEMC comes to a reasonable and rational view that the matters described above are misconceived or lacking in substance, it is bound to refuse the request for an urgent Rule (s96(3)). Please confirm the AEMC will do so (ie, will refuse the request).

We also ask that full generator compensation claims, including the *Administered Pricing Compensation*, and the entire *Reviewable Incident Report* from AEMO covering the June events be made public before any Rule change process (urgent or otherwise) is initiated or continued to aid in full transparency.

Yours sincerely

Blue Pacific Energy Pty Limited

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[1] See Origin Energy Jan 2022 Quarterly Report: Origin has sourced 50% of their annual coal requirements since the event in June/July 2022.

Progress is made on FY2023 coal contracting, with 3 million tonnes now contracted, around half of the target of 5 to 6 million tonnes.

Contracted supplies are from both legacy priced contracts and contracts priced at market forward prices at the time of contracting. Negotiations of further coal supply continue, with actual deliveries being subject to mine and rail performance.

Strong support received from coal suppliers, rail network providers and the NSW government to increase rail deliveries, which increased from an average of 1 – 2 trains per day in early June, to an average of 5 trains per day in the second half of June. A short-term interruption to rail services in July due to flooding impacted the rail services in the Hunter region.

Origin typically purchases spot coal on a discount to the 6000 kcal index, for coal quality attributes.

Origin's generation fleet played a pivotal role in meeting market demand during recent market events. In the Jun-22 quarter, Eraring's output was up 30% and output from the gas generation portfolio was up 82% from the previous quarter.