

Amending the administered price cap rule change

STAKEHOLDER FEEDBACK TEMPLATE

The template below has been developed to enable stakeholders to provide their feedback on the questions posed in the consultation paper and any other issues that they would like to provide feedback on. The AEMC encourages stakeholders to use this template to assist it to consider the views expressed by stakeholders on each issue. Stakeholders should not feel obliged to answer each question, but rather address those issues of particular interest or concern. Further context for the questions can be found in the consultation paper.

SUBMITTER DETAILS

ORGANISATION: N/A

CONTACT NAME: Mark Maze

EMAIL: mark.maze.beta@gmail.com

PHONE: 0466 123 719

DATE 01/09/2022

PROJECT DETAILS

NAME OF RULE CHANGE: Amending the administered price cap

PROJECT CODE: ERC0347

PROponent: Alinta Energy

SUBMISSION DUE DATE: 1 September 2022

CHAPTER 4 – ASSESSMENT CRITERIA

a. Is the proposed assessment framework appropriate for considering the proponent's rule change request?	Good, but not complete.
b. Are there any other relevant considerations that should be included in the assessment framework?	Fairness – is the proposed rule change fair and reflects electricity generation SRMC based on short-, medium-, and long-term fuel prices?

CHAPTER 6 – ISSUES FOR CONSULTATION: PROBLEM STATEMENT

1. Has the problem been appropriately identified? For example, is the current level of the APC, owing to the recently increased cost of generation, the principal problem or a key contributing factor?	No.
2. Is there a risk that a failure to address the problem identified would have a significant negative economic impact and be inconsistent with the long-term interests of consumers?	No. In fact, there is a greater risk to implementing the proposed change to APC.
3. Does the rule change address the problem?	No
4. Is the rule change the best solution to the problem? Are there other solutions that would better solve the problem over the timeframe considered?	Not the best solution. There is no problem. It is expected that most of market generators can operate at SRMC at or below \$300/MWh given \$30/GJ gas or \$600/ton black coal.

CHAPTER 6 – ISSUES FOR CONSULTATION: PROPOSED SOLUTION

5. Is Alinta's proposed amendment to the APC rule appropriate to address the problem?	No.
6. Given current commodity prices, what level of APC is appropriate to enable the normal market operation and settlement under an APP?	\$400/MWh.
7. What is the impact of such a change likely to be on generator and retailer risks borne in participating in the market?	Increased risk and market volatility.
8. How might the APC change to accommodate different commodity price assumptions?	APC should be measured against long-term trends, not short-term trends. Generators are provided with options to hedge their commodity/input cost risks in the financial markets for near- and medium-term.

<p>9. What are alternative options for amending the level of APC. Options could include, for example, different levels of APC for different technologies, different values in each region, values that change by time of day, linkages between the electricity APC and the gas APC?</p>	<p>No need for alternative options. \$300/MWh should cover all generation technologies, and there is no clear long-term trend shift now. We are dealing with short to medium-term effects, and generators should wear these risks given the availability of hedge products for these shorter periods.</p>
---	---

CHAPTER 6 – ISSUES FOR CONSULTATION: TEMPORARY LEVEL OF THE CPT

<p>10. Is there any consequential need for a change to the CPT resulting from a temporary change to the level of APC?</p>	<p>No.</p>
<p>11. Should the calculation of the CPT be different during the APP?</p>	<p>No.</p>
<p>12. Is there a more appropriate method of triggering the APC?</p>	<p>No.</p>
<p>13. Should a temporary change to the level of the APC consider the interaction between the gas APC and electricity APC?</p>	<p>No.</p>

CHAPTER 6 – ISSUES FOR CONSULTATION: TIMEFRAME OF APPLICATION OF PROPOSED RULE

<p>14. What is an appropriate temporary timeframe for application? Considering the factors that require the rule change to be made including commodity price changes?</p>	<p>As mentioned, APC should be measured against long term trends, therefore current application time frame is fine.</p>
<p>15. What consideration should be made of changes and the timing of changes to be introduced by the Reliability Panel?</p>	<p>Nothing.</p>
<p>16. How should a temporary change in the level of APC accommodate changes to commodity prices during its application?</p>	<p>As mentioned, APC should be measure against long term trends, therefore no need for temporary change to APC.</p>
<p>17. What are the consequences for the retail and contract markets from one-off or sequential changes to APC?</p>	<p>It will be messy. The current market is already illiquid.</p>

18. Should there be a mechanism to ensure that the APC is dynamic and indexed with an appropriate commodity price?	Look at long term trends if long term is sustained then re-assess.
--	--

CHAPTER 6 – ISSUES FOR CONSULTATION: BENEFITS AND IMPACTS

Security and reliability

19. What is the likely impact of a temporary change in APC on security and reliability through APP periods and through the avoidance of market suspension? What would be the likely impact of a temporary change in the CPT?	Again, no need for temporary change to CPT.
--	---

Cost of Energy

20. Would a temporary change to the level of APC likely reduce costs to market participants over the timeframe applied? Should temporary changes to the level of CTP be considered?	It will increase costs to end-users without reasonable justification.
21. Would a temporary change to the level of APC likely reduce costs to market participants over the timeframe applied? Should temporary changes to the level of CTP be considered?	No, and no.
22. Would a change to APC increase or reduce the wholesale cost of energy during APP periods? Should a change to the CPT be considered?	Increase. No change to CPT required. Not justified based on long term market fundamentals.

Contract market and financial requirements

23. What is the likely impact of a temporary change in the level of APC on ASX exchange traded contracts, OTC contracts and any other electricity contract products. In relation to existing contract clauses, the effectiveness of these products in addressing retailer risk, and the value of fixed price contract	Negative impact.
---	------------------

instruments? What would be the impact of a change to the CPT?	
24. What is the likely impact of a temporary change in APC on retailer credit support requirements? What would be the likely impact of a temporary change in the CPT?	Negative impact.
25. What is the likely impact of a temporary change in APC on NEM bank guarantees and security deposits to support trading? What would be the likely impact of a temporary change in the CPT?	Negative impact.
26. What costs are imposed by the imposition of a temporary change, on a market setting that is normally unchanging?	Additional waste of money.