15 October 2012

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Mr Pierce

Transmission Frameworks Review, Second Interim Report

Alinta Energy welcomes the opportunity to make a submission in response to the Australian Energy Market Commission's, Transmission Frameworks Review, 2nd Interim Report.

The 2nd Interim Report represents a significant milestone in the process of fully analysing and addressing transmission and related challenges confronting energy market participants and stakeholders. Alinta Energy strongly endorses the approach and congratulates Australian Energy Market Commission on the general strength of its analysis.

Alinta Energy's broad support is tempered by the view that the current juxtaposition of two opposing options creates an additional challenge. In Alinta Energy's view, the current all or nothing conceptualisation of outcomes is appropriate for discussion purposes but not for the purpose of implementing reform.

There remains a risk some stakeholders or policy makers may dismiss needed reform given the scope of change appears complex and vast. On this basis, Alinta Energy supports a graduated approach to the implementation of the optional firm access model.

Alinta Energy looks forward to further engagement on this matter and welcomes the Australian Energy Market Commission's consideration of the attached submission.

If you wish to discuss these matters please contact me on, telephone, 02 9372 2633.

Yours sincerely,

Jamie Lowe
Manager, Market Regulation

Alinta Energy submission in response to the Transmission Frameworks Review, 2nd Interim Report

11 October 2012

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Introduction

Alinta Energy is an active investor in the energy retail, wholesale and generation markets across Australia. Alinta Energy has over 2500MW of generation facilities in Australia (and New Zealand), and maintains over 700,000 retail energy customers in Western Australia, South Australia and Victoria with a commitment to growth in the National Electricity Market (NEM).

Alinta Energy is committed to contributing to energy market developments across Australia and in all regions of the NEM as it pursues its forward growth strategy.

Alinta Energy continues to support the Transmission Frameworks Review (the Review) and is supportive of the Australian Energy Market Commission's (AEMC) high level of engagement with industry in assessing the case for reform and developing reform options.

Alinta Energy's submission to the 1st Interim Report outlined the view that there is a strong case for reform to address a number of fundamental shortcomings in the National Electricity Rules (NER), specifically:

- clarifying the role of transmission – the critical roles of transmission, supplying low cost energy generated in one location to consumers in another location and in maximising the value of energy traded, is often obscured by a range of regulatory and policy issues;
- maximising commercial freedoms - individual market participants should be able to enter into the contractual and business arrangements they feel maximise their economic opportunities, reflect their risk appetite, and match their incentives;
- clarify the NER which contains a number of provisions which fail to give effect to a form of firm access;
- resolving uncertainty around generator access to transmission;
- addressing causes of congestion and inefficient congestion related outcomes;
- ensuring planning arrangements continually evolve with the market; and
- facilitating least cost connection arrangements.

Alinta Energy's submission to the 1st Interim Report endorsed the AEMC's assessment framework being adequate but should be supplemented by an additional feature: certainty of access following connection, which is a fundamental requirement for existing and future investors.

Alinta Energy also noted that while the existing frameworks have generally performed well when assessed on an overall basis, and in the context of the efficiency of the spot market, that specific and enduring failures, uncertainty of access, and inability to forecast transmission investment decision-making continue to negatively impact on commercial incentives of participants.

Alinta Energy welcomes the opportunity to make this submission to the 2nd Interim Report (the Report).

Generators' certainty of access

Alinta Energy welcomes the narrowing of the analysis to two packages, moving from the five models presented in the 1st Interim Report. Nevertheless, Alinta Energy does not conclude that either model needs to be implemented in absolute form, as outlined in the Report, in order to promote increased efficiency.

In that regard, an either or conceptualisation of the problem, with essentially one option being presented as a consolidation of the status quo and the other providing wholesale change, is the correct way to canvass change but it is not necessarily the correct approach when considering implementation. Further, it does not lead Alinta Energy to conclude it is either wholesale change or nothing.

Non-firm access

Alinta Energy appreciates that this proposal, which includes the subsequent removal of the 5.4A would be a low risk option for some participants. By extension, the risks and concerns that generators have expressed for numerous years will continue. Additionally, consumer requirements for a safe, reliable and secure supply of energy and the role of the transmission framework in facilitating its delivery would remain as it is under the status quo.

If the AEMC were minded to purse this option it would reflect an acceptance that the NER has failed to deliver on a number of the features that participants who invested at market start expected to be able to depend upon, and that on balance it may be too costly to satisfy the criteria outlined by the AEMC and deliver on the intent of the NER as originally drafted. Alinta Energy believes this as:

- any existing claims to firm access under the NER; however, convoluted or intangible, or dependent on legal action, would essentially be quashed;
- there would be no incentive for network service providers to satisfy generator preferences;
- access arrangements would continue to incentivise disorderly bidding and true price preferences would not be revealed; and
- coordination between transmission and generation would not be maximised and instead would be driven by transmission investment decisions which may vary wildly between regions and may have little similarity to private investor preferences.

Adoption of this proposal is not supported by Alinta Energy and would continue to undermine investment and revenue certainty.

Further, adoption of this option would be inconsistent with the three features outlined by the AEMC in the 1st Interim Report that promotes the "efficient provision of transmission services to competitive and other regulated sectors of the National Electricity Market" namely:

- *TNSPs have incentives to efficiently invest in and operate their networks to meet load requirements at least cost and support a competitive generation sector'*
- *Generators have incentives to offer their energy at an efficient price and invest in new plant where and when it is efficient to do so;*
- *The policies, incentives and signals that govern transmission and generation decisions are coordinated to promote consistent decision making between the regulated and competitive sectors of the NEM . . .*

(2011, p.1)

Alinta Energy again reiterates any conclusion that the optional firm access (OFA) model, in its present form, should not proceed, should not lead to the conclusion that the non-firm access proposal is the preferred alternative.

Optional firm access

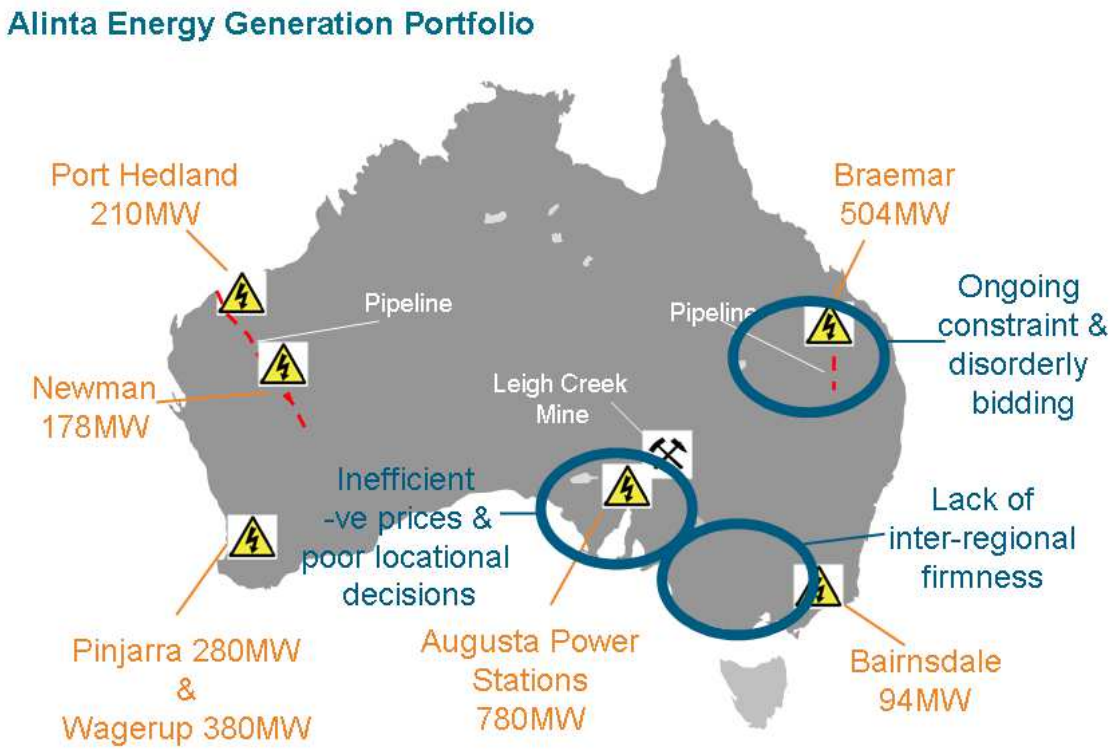
Alinta Energy's Chief Executive Officer, Mr Jeff Dimery, outlined the reasons for Alinta Energy's in-principle endorsement of the OFA model at the AEMC's 17 September 2012 public forum on the Review. Those points are worth revisiting in further detail before outlining Alinta Energy's perspectives on the OFA model.

How transmission related issues impact upon Alinta Energy's business

Alinta Energy summarises its major concerns with the current transmission frameworks below.

1. Lack of certainty around dispatch which undermines existing businesses.

2. Lack of clear locational signals for new entrants which creates uncertainty post-investment.
3. Lack of inter-regional firmness and negative impacts on the operation of inter-connectors.



Lack of certainty around dispatch undermines existing businesses and manifests itself in a number of ways. First, failure to be dispatched at times of high prices undermines recovery of fixed costs. It is imperative that base load generators are dispatched at times of high prices to recover fixed costs. Failure to be dispatched in the face of congestion or disorderly bidding at times of peak prices threatens generator financial viability.

Second, failure to be dispatched when generating means exposure to significant contract for difference payments. The ongoing battle around constraint 855/871 in Queensland is an example where generators are not able to enter in financial contracts with confidence. There is no certainty when a constraint will arise and how it will evolve. This undermines participants' ability to hedge physical generation and is clearly inefficient.

Likewise, when using physical plant to hedge customer load, a failure to be dispatched means exposure to costs associated with that load. These uncertainties mean generators are required to lower the level of hedges they would otherwise offer, including the range of products that will be made available. For Alinta Energy, it also means a lower limit is placed on the amount of customer load that can be prudently hedged with existing physical generation. This leads to inefficient costs that are ultimately passed on to the consumer.

Finally, in South Australia, dispatch uncertainty is compounded by inefficient negative pricing driven by disorderly bidding. Lack of clear locational signals and certainty post-investment is equally concerning and impacts on existing revenue and investment decision-making. The impact of new connections on the network means there is no confidence around the quality of the shared network moving forward including specific flow paths and future access to the regional reference node for individual plant.

Growing uncertainty in the face of climate change polices and the influx of subsidised renewable generation, in whatever form, undermines the ability to use a physical portfolio and limits long-term contracting. Not to mention the uncertainty it creates for investors.

There are three broad pre-conditions to investing in a power station. First, a viable source of fuel; second, a market for the energy generated; and third, access to that market. Under the current transmissions frameworks investors can satisfy the first two criteria but not the third.

Hence, the risk of stranding, while varying in size and scope, must be taken into account when financing or refining a large-scale and/or long-life asset.

Inter-regional price differences and operation of inter-connectors are of particular interest to Alinta Energy. Alinta Energy is actively pursuing a strategy of signing-up mass market customers in South Australia and Victoria on the back of its South Australian base load assets. The capacity to do this is influenced by the firmness of inter-regional products.

Without doubt, and this is critical to competition, the lack of settlement residue firmness across the inter-connector results in additional costs and undermines cost effective cross-regional competition. This is because an inability to rely on settlement residues forces the use of additional and otherwise inefficient hedges by Alinta Energy in the Victorian and South Australian regions. This utilises capital that could be directed at opening up positions in other regions of the NEM.

This is further undermined by the ongoing degradation of inter-connector capacity and the lack of incentives to maintain capacity to a known benchmark.

Optional firm access model has potential to resolve issues

In principle the OFA model should resolve dispatch uncertainty by:

- providing firm access over the network underpinning an investor's ability to recover fixed costs of a life-long asset and reducing exposure to contract for difference payments;
- maximising the use of physical assets as a hedge against customer load; and
- reducing disorderly bidding and occurrences of inefficient negative price outcomes.

In principle the OFA model should provide clear locational signals and hence:

- new asset locational decisions should not undermine existing generation investment or degrade flow paths; and
- it should ensure transmission frameworks are better matched to future connections growth including significant anticipated renewable generation.

In short, Alinta Energy would be more comfortable investing under a transmission framework where network access for the life of the asset is understood. As understanding network access provides greater revenue certainty.

The OFA model should also improve inter-regional certainty:

- by providing a firmer inter-regional product which can be relied upon by market participants;
- reducing the need for inefficient double up between settlement residue and hedge contracts;
- enhancing competition for the benefit of customers and promote new entry; and
- providing incentives to maintain networks and inter-connectors which are better coordinated with new generation investment requirements and retail competition.

Perspectives on the optional firm access model

As stated, Alinta Energy is supportive of the OFA model and the development of an implementation pathway; however, Alinta Energy is of the view that aspects of the OFA model are potentially more complex than may be otherwise necessary.

This section outlines Alinta Energy perspectives on specific aspects of the OFA model including proposals to clarify or simplify the model.

Firm access standard

Alinta Energy understands the reasons for specifying tiers of access but does not believe the practical benefits of such a categorisation will be easily achieved. It is conceivable that this item alone has the potential to overcomplicate and render the OFA model too difficult to implement.

Offering a single level of firm access will be a significant step in the right direction that should be favoured over the proposed tiered approach with scaling factors. A tiered approach with scaling factors is not, and should not be, the primary focus of the OFA model and is arguably not required.

It is not apparent why the use of a tiered approach is considered necessary given negotiations between the connecting party and the network service provider (NSP) are likely to allow access to the single firm access standard and the opportunity to pay for additional redundancy that in effect provides what the AEMC denotes as super-firm access or other such access as sought by the connecting party.

This does not mean a tiered approach with scaling factors may not be viable in the longer term. Alinta Energy is reluctant to support this approach; however, following full implementation of the OFA, with a single firm access standard, there may be scope to progress the tiered approach proposed by the AEMC.

Alinta Energy recommends the tiered approach with scaling factors to defining a firm access standard be parked for the time being and revisited following introduction of the OFA and consideration of the benefits and take-up of a single firm access standard including the extent to which connecting parties have been able to negotiate their desired level of access with NSPs.

Grandfathering existing access

Alinta Energy supports the introduction of a level of access for existing generators based on their historic usage. Alinta Energy does not agree that this transitional access should be scaled back over time or that it is necessary to limit transitional access to avoid hoarding.

This issue has been raised with the AEMC on a consistent basis since the Review of Energy Market Frameworks in light of Climate Change Policies. The AEMC has comprehensively failed to give any substantive explanation to claims that temporary transitional access should be preferred to enduring grandfathered access for the life of the asset.

Alinta Energy retains the view that hoarding will not occur as the ability to trade firm access will ensure that generators retain an incentive to sell grandfathered access where it is no longer of economic value. The tradability of access means there is an opportunity cost to holding access that has no economic value to the plant to which it was allocated.

Further, should an existing generator choose to retain grandfathered access for the purpose of building a new generation unit, that would take the original unit that is still in services access, that would also be an economically efficient outcome as the new unit values firm access more greatly than the pre-existing unit, and no additional costs would be incurred as the same level of firm access would need to be included in the planning arrangements.

Tradability of access

For the avoidance of doubt Alinta Energy supports the AEMC's position on tradability of access in whole or in part; however, it is essential that access is firm for the life of the asset for tradability of access to occur. This also means the form of access needs to be firm for the life of the asset.

Just as it rational for a company to be non-firm where there is no significant value in holding firm access rights, the same logic ensures that there will be an incentive to trade. For existing generators for instance, where experience, after a few years, demonstrates that a generating units need for firm access is greater or lesser than there grandfathered allocation, this will incentivise trade.

Planning for firm access

Alinta Energy agrees with the view that reliability planning and firm access planning for generators can be and should be assessed separately. This is because reliability studies consider all generation within the network, firm generation and non-firm generation that meets load, whereas planning for firm access only considers those network elements needed to meet the firm access standard.

While the AEMC's analysis present a high degree of sophistication it is arguably not necessary to contemplate the planning process in such a fashion where two different sets of conditions will need to be assessed.

That one planning process, for reliability standards, may give rise to benefits to generators, is not disputed but reflects the only option under the current planning process for access benefits. However, it is equally likely, and hence the reason generators have pursued the issue of firm access for so long, that reliability planning will provide no benefits to generators and in any case none of those benefits will be firm.

The planning process for firm access ensures the payment of necessary costs by the firm generator and may lead to capability for firm generators in a part of the network that exceeds the needs of load for reliability reasons. This would be appropriate and reflects the separate nature of planning for firm access as compared with for reliability benefits. Equally, firm access planning may be suitable to meet the needs of local demand.

As for non-firm generators, there requirements would not be considered in the context of firm access planning at any level but will be considered in reliability studies.

What this means is that the key issue in planning for firm access is identifying the costs imposed by a connecting party at a specific location and point in time for the purpose of achieving firm access to the regional reference node not the potential implications in the longer term based on forward estimates of demand growth, reliability requirements and the like which can never be correct.

Access procurement

With a basic firm access standard defined and grandfathered access rights allocated the process for procuring access could be simplified.

Alinta Energy supports a two-stage approach. First, that an amount of access right be sought based on the firm access standard at a published price for the specified flow gates or groups of flow gates. This is consistent with the AEMC's proposal.

The second step is where a connecting party seeks to tailor the access or seek additional arrangements the NSP and connecting party can negotiate which will require payment of a fee in excess of the amount for the firm access standard.

This approach is consistent with the OFA model as conceived by the AEMC but is based on a model without scaling factors and published prices to the defined firm access standard at which firm access planning takes place.

Nevertheless, if a level of access in excess of the firm access standard is negotiated with the NSP this should be included in the planning process.

Access pricing

A concern reflected at the AEMC's public forum, and shared by Alinta Energy, is the potential centralisation of planning under the OFA as proposed. Alinta Energy believes this requires further consideration by the AEMC and that a model that does not require reliance on forecasts and guessing where generation will eventuate is required. To do otherwise is to severely undermine the commercial intent of the changes to transmission frameworks to better facilitate generation led transmission investment.

For these reasons, Alinta Energy does not support the current pricing methodology proposed by the AEMC but instead prefers a model based on the costs incurred in meeting the connecting parties request at the point in time of the inquiry (to the specified access standard and above if negotiated with the NSP) and at the specific location requested.

Alinta Energy does not endorse including the potential future impacts on yet unknown generation and load in the manner conceived by the AEMC. In other words, charges should reflect the efficient cost of the network investment required at a point in time to provide the defined level of service required by the connecting party. Charging a price other than the long-run incremental cost, while different from the AEMC model, is no less valid and is arguably more accurate even on a MW unit basis.

As a deep connection cost model is not preferred by the AEMC, it is necessary that customers will bear the costs of any over-capacity that arises as a consequence of the lumpiness of investment. Nevertheless, unlike spare capacity that exists at the time the OFA model is implemented, any additional capacity that arises through customer funding of over capacity can be sold by a NSP and then recovered in the next regulatory period (see below).

The funding of over capacity by customers could be avoided through a deep connection costs model; however, assuming this is not preferred and is unlikely to create a stronger signal then the differential between two competing locations under the per MW increment approach, then a efficient signal will still be sent at the time a connecting party is considering its locational options.

Alinta Energy acknowledges this approach creates a disparity between zero cost firm access where spare capacity presently exists and non-zero cost access for the residual capacity following an augmentation funded by the first-mover connecting party in a specific location following implementation of the OFA model.

While the cost to consumers of the spare capacity is sunk, and hence should be valued the same, this disparity between existing spare capacity and new spare capacity funded post OFA implementation is necessary to avoid queuing and gaming at specific locations where no spare capacity currently exists.

Procurement and pricing under the proposed planning arrangements

Should the AEMC not be minded to include these revisions in planning and continue to consider the future combined costs of reliability and access planning, then the proposal should be amended so that generators are only charged for the purpose of ensuring appropriate locational decisions i.e. payment of a nominal upfront fee (i.e. valued as ten years of access) in exchange for firm rights which extend significantly beyond this period for the life of the asset. There is precedent for this approach.

This approach will ensure that efficient network costs are still recovered from customers over the longer term; however, the immediate impacts of a locational signal were present at the time an investor is selecting a site and the locational charge, and the imposition of a sometimes significant charge, would be balanced against other absolute costs.

This model is more aligned to the centralised planning approach the AEMC appears to favour that jointly considers planning for firmness and reliability.

This model would still support trade offs at a site between transmission and non-transmission costs and between sites at a point in time; however, the future needs of reliability arrangements and forecasting errors determined centrally would not be a risk carried by the connecting party.

Alinta Energy does not favour this approach but believes it is aligned to the AEMC's preferences.

Inter-regional access

Alinta Energy supports the proposed approach to firm interconnector rights for existing inter-regional capacity and the allocation of firm indefinite rights to the inter-connector.

Alinta Energy is interested in the development of a mechanism where the regular auctioning of access rights, over varying term lengths, is used as an indicator of the need for future augmentation. Where demand exceeds supply a commercial option to expand should be possible. As such, an irrevocable commitment to purchase is one method that could be used to fund revenue streams where the relevant NSPs elected to expand an inter-connectors capacity in lieu of an upfront capital commitment.

TNSP regulation

Alinta Energy supports appropriate incentives being placed upon NSPs; however, notes that this is another area where limited upside may be available at the early stages but with significant impediments to implementation.

The key requirement is the incentive for NSPs to negotiate access which meets the connecting parties commercial requirements on fair terms and the incentive to operate the network in a manner which maximises access.

Incentive to negotiate firm access

Alinta Energy is not comfortable with the use of forecasts to estimate the firm access likely to be provided by the NSP and suggests it may create disincentives for the NSP as revenue from providing firm access will be less certain than revenue to meet reliability standards.

Instead of a prospective reduction, the ability to bank revenue from the provision of firm access and have this deducted from the subsequent regulatory period, creates some incentive for the NSP as they receive revenue in an earlier period based on a per MW charge for firm access to the firm access standard.

Incentive to operate the network to maximise access

The use of a per MW charge, known in advance, gives the NSP two revenue incentives. First, the NSP can seek to provide services in excess of the firm access standard at a price negotiated between the NSP and the connecting party and enter into commitments around that arrangements.

Second, the NSP, by operating the network to a higher standard then required to meet the firm access standard and reliability standards can sell additional capacity which will not be deducted from future regulatory periods.

Reasons for this caution approach

Alinta Energy notes the current Service Target Performance Incentive Scheme which the Australian Energy Regulator and industry participants and NSPs are continuing to develop.

Alinta Energy believes more upside exists from refinement and development of this scheme in the interim, and possibly longer, than attempting to over-complicate the OFA model at the introduction stage. The inclusions of NSPs at such an early stage of the model creates significant impediments to implementation especially given the AEMC's proposal for a tiered approach and scaling factors.

Eventual use of penalties and use of the firm access standard

Once the OFA model is introduced there is definite scope to expand the model to include direct penalties on NSPs during settlement where they do not meet their obligations under the firm access standard.

Alinta Energy is not clear on why there is a preference for a portion of costs not to be recoverable from NSPs when maintenance of the network is not consistent with the firm access standard. Assuming the firm access standard is appropriately defined the network should be available under the defined operating conditions and the NSP should be liable for any shortfall which they accrue.

NSP are free to develop methods of managing these shortfalls, whether through redundancy at their expense, co-insurance with other NSPs, network support, demand-side contracts with load, or direct commercial agreements with generation

Implementation risk

As indicated by the AEMC, including in the presentation by Chairman John Pearce during the public forum the OFA model represents a significant change. This is true whether or not the position is taken that the OFA model is or is not attempting to realise the original intent of the transmission policy and expectations under the National Electricity Code.

From Alinta Energy's perspective it is appropriate to implement NEM reforms, even when they are difficult and time consuming, where commensurate benefits exist.

Nevertheless, the OFA proposal may be conceptually difficult to manage as a whole and a 3 year implementation process is daunting. As such, the AEMC needs to give appropriate consideration to the implementation pathway.

Segmented approach to implementation

Alinta Energy supports a graduated implementation of the OFA with the proposed amendments outlined above. Alinta Energy argues that the significance of this change means practical success should outrank academic purity of the model at this stage in particular.

In these terms the OFA can be segmented into its component parts. Each part can be implemented and the market allowed time to adjust to the change arrangements. A potential sequencing of steps may be as follows:

- develop a single firm access standard, rather than the tiered approach with scaling factors, in consultation with industry;
- allocate grandfathered access to existing participants access rights based on the single firm access standard and to inter-connectors;
- implement planning arrangement consistent with the firm access standard and develop a pricing methodology in conjunction with industry for new entrants or generators seeking access in excess of their grandfathered access rights based on the firm access standard;

- implement access settlement;
- develop a methodology for generators acquiring access rights across the inter-connector informed by experience of intra-regional access settlement; and
- develop TNSP incentives and methods for trading access rights.

Planning frameworks

Alinta Energy endorses the proposed enhanced role for the Australian Energy Market Operator. Alinta Energy agrees with the AEMC's analysis and that the planning process will be enhanced by the National Transmission Planner:

- reviewing draft planning and investment test reports;
- providing demand forecasts for use in transmission planning;
- providing an expert independent advisory role; and
- assuming the last resort planning power from the AEMC.

This is not to say these recommendations are the only way in which these changes could be implemented – for instance demand forecasts independence is the critical issues which could be achieved in a number of ways - but that the AEMC's proposal should provide a net benefit.

Alinta Energy notes the recommendations for enhanced coordination between NSPs by:

- increased consultation to identify and implement cross regional network investment options;
- aligning regulatory control periods;
- formalising NSP input into the national transmission planner's annual strategic planning report to ensure that both local and national perspectives are captured and reflected in longer term processes.

Alinta Energy is neutral on matters concerning regulatory periods but does support greater NSP involvement in providing input to the National Transmission Planner's annual assessment and cross-regional coordination. Alinta Energy still has some questions around the usefulness of an annual long-term transmission planning report but will not seek to address those in this context.

Alinta Energy is supportive of outcomes that simplify connections arrangements in Victoria as it is clear that there is widespread dissatisfaction with the tri-partite arrangements in that region. Alinta Energy understands that this will be facilitated by AEMO no longer performing the current planning function in Victoria.

Arrangements for connecting to the network

Alinta Energy supports:

- requiring NSPs to publish a standard connection contract;
- a requirement that NSPs provide connection parties with detailed costs, assumptions and calculations, including supporting evidence;
- providing the Australian Energy Regulator with powers to develop and enforce guidelines in this area; and
- a greater role for connecting parties in the tender process for construction of assets related to connections.

The proposed explicit information sharing requirements on NSPs is beneficial and an appropriate step; however, the AEMC's analysis fails to introduce competition in the construction of the interface between the connection asset and the shared network.

It is clear that the area of connections is beset with irregularity and disagreement. Nevertheless,

what is generally agreed is that connecting parties need appropriate protection from the asymmetries which arise from negotiating with a monopoly. This means, the right of the connecting party to undertake work which relates to their assets, detailed information disclosure about the NSPs actions and decisions which impact upon the connecting party, and increased competition inside the shared network where technical specifications can be meet.

This latter point is worth considering in the context that despite the range of issues in Victoria, the Australian Energy Market Operator has been working hard to develop proposals to increase competition inside the shared network.

Generation and transmission cross-ownership

Alinta Energy does not believe the AEMC's light-handed analysis of the issue of cross ownership of transmission and generation is appropriate. The AEMC is not the body responsible for analysing broader competition issues and this issue should continue to be analysed by the appropriate policy and competition specialists.

Alinta Energy has previously contributed to the analysis of potential issues arising from co-ownership of generation and transmission and does not believe this issue is a pressing concern in the NEM. There is an absence of co-ownership in the NEM and there is no evidence that co-ownership for the purposes of muting competition will arise and like previous analysis the AEMC's analysis continues to fail to consider the when co-ownership may be efficient or effective.

Alinta Energy has no doubt that a potentially anti-competitive arrangement would be strongly resisted by industry participants. In such a circumstance, it is entirely appropriate that industry would support Australian Competition and Consumer Commission action and that action should be progressed through the existing legal channels.

As such a prohibition on co-ownership is not supported and should be permitted (i.e. when constructing an asset for use in connecting generation) in the absence of evidence that would contravene section 50 of the *Competition and Consumer Act 2010* (CCA).

In this space, policy-makers continue to seek to eliminate a conceptual risk that has not arisen as opposed to assessing efficient outcomes. There is no evidence to suggest that inefficiency from a co-owned entity is inevitable and outside of the NEM co-ownership exists without competition considerations arising.

Conclusion

Alinta Energy believes that failure to resolve the most significant transmission frameworks issues will represent a wasted opportunity.

In that regard, while the Commission is encouraged to progress the entirety of the model it should not be the case that aspects of the proposal that will deliver benefits now be delayed in advance of the entirety of the proposal.

This is especially the case for the absence of planning for generator access to the node, inter-connector firmness and disorderly bidding which are sub-optimal features of the existing transmission frameworks.