



16 May 2013

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Via www.aemc.gov.au

Dear Mr Pierce,

National Gas Amendment (Pipeline Operator Cost Recovery Processes) Rule 2013

Alinta Energy welcomes the opportunity to make a submission in response to the Australian Energy Market Commission's (AEMC) draft rule determination: *National Gas Amendment Rule 2013*, proposed by the Australian Energy Regulator (AER).

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 a growing customer base of approximately 700,000 retail customers.

Alinta Energy has a commitment to growth and is actively pursuing gas market opportunities, including as a participant in the short term trading market (STTM) in Adelaide and Brisbane.

Alinta Energy supports the proposed gas pipeline operator cost recovery processes

Alinta Energy agrees that the current pipeline operator cost recover process could be viewed as lacking transparency, which in turn is likely to undermine consumer confidence that services are provided prudently and economically.

As such, Alinta Energy agrees that a revision of the current approach to cost recovery processes is in the long term interests of consumers.

Assessment approach – roles, responsibilities and trigger

Alinta Energy supports the draft rule change and endorses the view that:

- the introduction of an “efficiency” assessment would be difficult at this time and may be unlikely to result in materially different evaluation outcomes to how the AER reviews cost invoices under the current “reasonable” assessment. As such, the preservation of the “reasonable” assessment appears a practical policy outcome at this time;
- the clarification of the roles of the AER and the Australian Electricity Market Operator (AEMO), will reduce the duplication of responsibilities, in turn resulting in clearer accountability and efficient decision making;
- the AER is the suitable decision making body to be tasked with conducting the assessment reviews given its experience in this area; and

- allowing AEMO, on its own initiative to refer cost invoices to the AER for assessment, whilst still retaining the original review process, appears a suitable outcome.

Information required – justification of costs

Alinta Energy is supportive of the proposal for the AER to publish evidence provided by pipeline operators as a method of increasing transparency and promoting procedural confidence in the market place.

Typically, pipeline operators provide information within their cost estimates, such as; the time allocated to MOS services tasks and duties; and labour costs and fixed capital costs which are submitted to AEMO. Given this, Alinta Energy considers the requirement for pipeline operators to demonstrate that these invoiced costs are also “reasonable” is not an undue extension of current practise.

Alinta Energy understands the proposed rule is consistent with the confidentiality principles contained within the National Gas Law which protects genuinely commercially confidential information from being compelled to be publicly reported.

Given the absence of confidentiality concerns, requiring supporting evidence to be provided with cost estimates and invoices is a sensible measure which will increase the transparency and accountability of pipeline service providers.

Timeframes for assessment of invoiced costs

Alinta Energy notes the general stakeholder consensus that the proposed timeframe of 60-90 business days for the AER to undertake a review is avoidable given the costs involved with undertaking such a comprehensive review may be out of proportion to the costs originally invoiced, and their significance to the marketplace.

Alinta Energy is also mindful of the consequences on businesses of potentially withholding revenue for lengthy periods of time.

As such, Alinta Energy is encouraged by the AEMC’s analysis in the draft (more preferable) rule which provides the AER with a period of 30 business days in which to conduct an appropriate review to determine “reasonable costs”, followed by payment from AEMO within 10 days of the determined invoice.

Alinta Energy agrees with the AEMC that this time period is a more practical and appropriate framework in which to determine an effective and timely outcome for the participants and the marketplace.

Definition of MOS allocation service costs and Bulletin Board amendments

Given the present uncertainty around the current definition of “MOS allocation service costs”, Alinta Energy supports the proposed minor amendments and definition restructure as an appropriate change which increases participant clarity.

Similarly, amending the definition of “aggregation and information services costs” within the bulletin board is appropriate to ensure that arrangements across pipeline operator recovery rules remain consistent.

As an aside, Alinta Energy notes that the retrospective application of policy or legal changes is generally considered poor practice. Previous stakeholders’ concerns reflect this.

Conclusion

Alinta Energy appreciates the work of AER and AEMC and is supportive of the draft rule determination as it will better promote efficient cost recovery and help promote transparency.

Should you have any queries in relation to this submission, please do not hesitate to contact me on, telephone, (02) 9372 2633, or Anders Sangkuhl on (02) 9375 0962.

Yours sincerely,



Jamie Lowe
Manager, Market Regulation