

# Perspectives on access

**Jeff Dimery**  
Chief Executive Officer

**Transmission Framework  
Review – Public Forum**

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# Alinta Energy's Integrated Energy Strategy

*The Integrated Energy Strategy will provide access to multiple market streams and balance the risk between upstream supply and end use retail markets.*



## Power Generation

The objective of the Power Generation Group is to deliver profitable growth by providing cost effective, **highly reliable generation capacity and performance to Alinta and its major PPA customers.** Expertise in power generation development, asset management and power generation operations and maintenance are core to success.

## Wholesale

The objective of the Wholesale Group is to **provide price competitive, risk managed cost of goods sold to Alinta Energy and its customers.** This is achieved through accurate forecasting of market fundamentals and Alinta's portfolio requirements, savvy commercial negotiation and vigilant market operations.



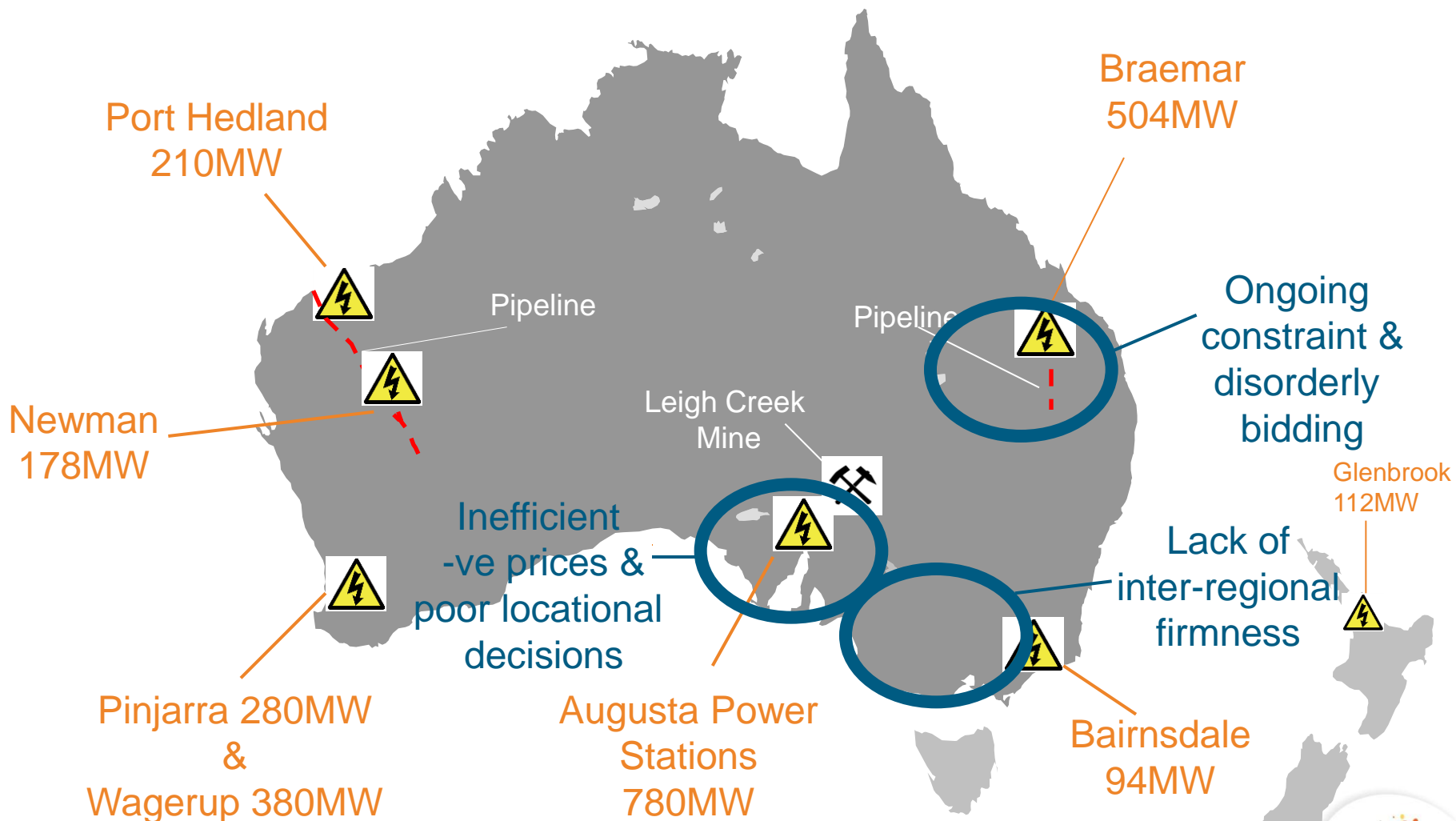
## Retail

The objective of the Retail Group is to profitably **grow the Alinta customer base from approximately 600,000 to 1,500,000 customers over the next 5 years.** This will be achieved by entering new markets (Eastern Seaboard) and offering competitive products delivered with a low cost to serve operating model, targeted marketing and enhanced channel management capability.



# Alinta Energy Generation Portfolio

Over 2,500MW of installed capacity - Mix of fuel and diverse geography



# How the status quo undermines efficiency

Lack of certainty around dispatch undermines existing business	Lack of clear locational signals and certainty post-investment	Inter-regional price differences and operation of inter-connectors
Failure to be dispatched at times of high prices <b>reduces ability to recover fixed costs</b> . Given modest market outcomes for base load generators this undermines financial viability.	Remain concerned with subsidised wind farms <b>impacts on network capability</b> . Significant issue in South Australia where locational costs across shared network are not taken into account.	Alinta Energy uses its South Australian generation to support Victorian retail mass entry. <b>The lack SRA firmness across the inter-connector results in additional costs and undermines cost-effective cross-regional retail market competition.</b>
Failure to be dispatched when contracted means <b>exposure to significant contract for difference payments</b> . Ongoing activity in Queensland with to 855/871 leads to disorderly bidding and dispatch uncertainty.	<b>Have no certainty around future access across flow paths</b> . Undermines benefits of utilising physical generation as a basis for developing portfolio.	Current arrangements <b>force additional hedging in excess of SRAs</b> given the inability to rely on inter-connectors and the impact of intra-regional constraints.
Augusta Power Stations is a physical hedge against a growing customer load in SA. Failure to be dispatched creates <b>exposure to costs of load and requires purchase of an inefficient levels of contractual cover and potential insurance products</b> .	Growing expectation of new and varied forms of generations accentuates concern that <b>poor locational decisions will undermine viability of existing assets</b> .	<b>Current transmission framework does not incentivise maintenance of TNSP capacity.</b>
Dispatch risk ensures Alinta Energy has a lower <b>“limit” on the number of customers it is able to sign-up in the retail mass market</b> . This inhibits competition and can only lead to <b>increased costs to consumers</b> .	<b>Revenue certainty underpins investment in new assets</b> . Access to fuel and the existence of a market is of limited benefit is generator has no ongoing route to market.	SA-Vic <b>inter-connector capacity continues to be degraded</b> TNSP decisions and poor locational decisions.
Disorderly bidding in South Australia is concerning given the amount of subsidised wind generation. Number of <b>negative price events is inefficient</b> and is not sustainable.	Firmness around access for the life of an asset improves investment certainty and allows investors to make a trade-off between absolute costs of individual locations. <b>Alinta Energy investments would be supported by the optional firm access model.</b>	Reduces competitive dynamics between regions and undermines inter-connectivity of the National Electricity Market.

# Benefits of optional firm access

Lack of certainty around dispatch undermines existing business	Lack of clear locational signals and certainty post-investment	Inter-regional price differences and operation of inter-connectors
<p>Failure to be dispatched at times of high prices <b>reduces ability to recover fixed costs</b>. Given modest market outcomes for base load generators this undermines financial viability.</p>	<p>Remain concerned with subsidised wind farms <b>impacts on network capability</b>. Significant issue in South Australia where locational costs across shared network are not taken into account.</p>	<p>Alinta Energy uses its South Australian generation to support Victorian retail mass entry. <b>The lack SRA firmness across the inter-connector results in additional costs and undermines cost-effective cross-regional retail market competition.</b></p>
<p>Failure to be dispatched when contracted means <b>exposure to significant contract for difference payments</b>. Ongoing activity in Queensland with to 855/871 leads to disorderly bidding and dispatch uncertainty.</p>	<p><b>Have no certainty around future access across flow paths</b>. Undermines benefits of utilising physical generation as a basis for developing portfolio.</p>	<p>Current arrangements <b>force additional hedging in excess of SRAs</b> given the inability to rely on inter-connectors and the impact of intra-regional constraints.</p>
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<p>Disorderly bidding in South Australia is concerning given the amount of subsidised wind generation. Number of <b>negative price events is inefficient</b> and is not sustainable.</p>	<p>Firmness around access for the life of an asset improves investment certainty and allows investors to make a trade-off between absolute costs of individual locations. <b>Alinta Energy investments would be supported by the optional firm access model.</b></p>	<p>Reduces competitive dynamics between regions and undermines inter-connectivity of the National Electricity Market.</p>

# Benefits of optional firm access

## Benefits of dispatch certainty

price differences and inter-connectors

Failure to be dispatched at times of high prices **reduces ability to recover fixed costs**. Given modest market outcomes for base load generators this undermines financial viability.

Remain concerned with subsidised wind farms **impacts on** issue in South across share

Alinta Energy uses its South Australian **cross the** bill mass **onal costs** **ross-**

Firm access over the network underpins a investor's ability to recover fixed costs of a long-life asset and reduces exposure to contract for difference payments

Failure to be dispatched when contracted means **exposure to significant contract for difference payments**. Ongoing activity in Queensland with to 855/871 leads to disorderly bidding and dispatch uncertainty.

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Augusta Power Stations is a physical hedge against a growing customer load in SA. Failure to be dispatched creates **exposure to costs of load and requires purchase of an inefficient levels of contractual cover and potential insurance products**.

Growing expectation of new and varied forms of generations accentuates concern that **poor** **locational d** **of existing a**

**Current transmission framework does not incentivise maintenance of TNSP capacity.**

Allows use of physical hedge against mass market customers to a greater level of plant capacity and therefore reduce level of contractual cover and other products like insurance

Dispatch risk ensures Alinta Energy has a lower **"limit" on the number of customers it is able to sign-up in the retail mass market**. This inhibits competition and can only lead to **increased costs to consumers**.

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**continues to** **oor**

Disorderly bidding in South Australia is concerning given the amount of subsidised wind generation. Number of **negative price events is inefficient** and is not sustainable.

Firmness around **access for the life of an asset** improves inv investors to r costs **liv**

Reduces competitive dynamics between regions the

Would anticipate a lower level of market floor price events as bidding at -\$1000 would risk being dispatched at that price more often than is presently the case

# Benefits of optional firm access

Lack of certainty undermines existing investments

## Benefits of clear locational signals

and

New asset locational decisions should not undermine existing generation investments; revenue certainty; or degrade flow paths

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Given  
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Remain concerned with subsidised wind farms **impacts on network capability**. Significant issue in South Australia where locational costs across shared network are not taken into account.

Alinta Energy uses its South Australian generation to support Victorian retail mass entry. **The lack SRA firmness across the inter-connector results in additional costs and undermines cost-effective cross-regional retail market competition.**

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**Have no certainty around future access across flow paths.** Undermines benefits of utilising physical generation as a basis for developing portfolio.

Current arrangements **force additional hedging in excess of SRAs** given the inability to rely on inter-connectors and the impact of intra-regional constraints.

Augusta Power Stations is a physical hedge against a growing customer load in SA. Failure to be dispatched creates **exposure to costs of load and requires purchase of an inefficient levels of contractual cover and potential insurance products.**

Growing expectation of new and varied forms of generations accentuates concern that **poor locational decisions will undermine viability of existing assets.**

Ensures transmission frameworks are better matched to recent experience, and expectations, of increased number of connections across the network i.e. renewables

Alinta Energy would be more comfortable investing under a transmission framework where network access for the life of the asset was known

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**Revenue certainty underpins investment in new assets.** Access to fuel and the existence of a market is of limited benefit if generator has no ongoing route to market.

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Reduces competitive dynamics between regions and undermines inter-connectivity of the National Electricity Market.

# Benefits of optional firm access

Lack of certainty and undermines existing

## Benefits of improved inter-regional certainty

and

Failure to be dispatched at times of high prices **reduces ability to** modest market out generators this und

Remain concerned with subsidised wind farms Significant locational costs taken into

Alinta Energy uses its South Australian generation to support Victorian retail mass entry. **The lack SRA firmness across the inter-connector results in additional costs and undermines cost-effective cross-regional retail market competition.**

Inter-regional firmness will reduce need to inefficiently double up on SRAs and hedge contracts and enhance competition

Failure to be dispatched **exposure to significant difference payments** Queensland with to bidding and dispatch

Current arrangements **force additional hedging in excess of SRAs** given the inability to rely on inter-connectors and the impact of intra-regional constraints.

Augusta Power Stations is a physical hedge against a growing to be dispatched **load and requires levels of contract insurance produc**

Growing expectation of new and varied forms of that **poor mine viability**

**Current transmission framework does not incentivise maintenance of TNSP capacity.**

TNSP incentives to maintain networks and inter-connectors will increase competition and trade between regions and underpin network investment which is better coordinated with new generation investment

Dispatch risk ensure **"limit" on the number to sign-up in the market** inhibits competition **increased costs to consumers.**

SA-Vic **inter-connector capacity continues to be degraded** TNSP decisions and poor locational decisions.

Disorderly bidding in South Australia is concerning given the amount of subsidised wind generation. Number of **negative price events is inefficient** and is not sustainable.

Firmness around access for the life of an asset improves investment certainty and allows investors to make a trade-off between absolute costs of individual locations. **Alinta Energy investments would be supported by the optional firm access model.**

Reduces competitive dynamics between regions and undermines inter-connectivity of the National Electricity Market.



## Next steps

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Failure to resolve these issues will continue to undermine new entry and competition and benefits those with natural hedges

Will also represent a missed opportunity for industry to move the NEM forward

The non-firm access model will not resolve these issues

- The status quo is not acceptable
- At a minimum disorderly bidding should be resolved

The optional firm access model is supported in-principle by Alinta Energy

- Acknowledge that implementation issues need to be resolved
- Not convinced by current position on transition
- Planning arrangements have potential for simplification
- Certainty around charging is essential
- Access and charging arrangements, if uncertain at time of investment, can not be supported

**OUR CHALLENGE  
IS TO MAKE  
ENERGY MORE  
AFFORDABLE**



[alintaenergy.com.au](http://alintaenergy.com.au)

