



12 December 2018

Department for Energy and Mining  
Government of South Australia  
GPO Box 320  
ADELAIDE SA 5001

### **Ministerial Reliability Instrument Amendment Bill Consultation**

Alinta Energy (**Alinta**) welcomes the opportunity to provide a submission to the Department for Energy and Mining's (**the Department**) *National Electricity (South Australia) Ministerial Reliability Instrument Amendment Bill (the Amendment Bill)*.

Alinta is an active investor in energy markets across Australia with an owned and contracted generation portfolio of nearly 3,000MW, including 1,700MW of gas-fired generation facilities and 1,070MW of thermal generation facilities, and in excess of 1.2 million electricity and gas customers including more than 600,000 in east coast markets.

Over the past year, Alinta has constructively and consistently engaged with the Energy Security Board and other market bodies in assisting with the National Energy Guarantee's (**NEG**) multiple design iterations and technical advisory groups including the Reliability Obligation. Alinta is therefore well placed to provide informed comment to the Amendment Bill.

#### **Shortened Notice Period - Clause 19B(7)**

Alinta notes that, as the Amendment Bill is currently drafted (clause 19B(7)), the Minister has the ability to make a T-3 reliability instrument 15 months before it takes effect rather than the full three years in advance, meaning that the Reliability Obligation may be triggered with limited market warning.

The design of the Reliability Obligation T-3 and T-1 trigger points, as presented in the several iterations of the NEG's design (including the final decision paper), were the product of thorough industry consultation and were designed to ensure retailers would receive reasonable notice of the potential triggering of the Reliability Obligation and could plan their compliance position accordingly.

Retailers and other liable entities require prudent notification and time in order to procure additional capacity to meet the compliance requirements as set out under the Reliability Obligation. A 15 month notice period may not allow sufficient time to obtain adequate qualifying contracts to satisfy a material reliability gap should one be identified. In practise, such a shortened notice period would likely act to create a scarcity environment which could act to significantly raise existing contract costs for participants and subsequently consumers.

In Alinta's view, if enacted as drafted, the 19B(7) amendment would be detrimental to Reliability Obligation's operation and would likely have the effect of significantly raising risk and compliance costs for participants. Alinta does not believe the addition of a shortened notice period for the aforementioned clause is preferable to the original T-3 and T-1 checkpoints as set out in the original NEG final decision paper.

### **Ministerial Determination - Clause 19B (2)**

Clause 19B (2) of the amendment bill contains a number qualitative inputs which the Minister may utilise when assessing the need to trigger a reliability notice period.

Alinta is concerned that this approach was not envisaged during the Reliability Obligation's initial design iterations and therefore is not subject to the same assessment as some of the other design considerations.

Alinta is concerned that the proposed qualitative assessment criteria, as drafted, may be difficult to apply in practice. That being said, if the Minister is to be given the power to determine a reliability notice period, Alinta considers that the Amendment Bill should be modified to provide clearer objective criteria and thorough application guidelines setting out when and how that power is to be exercised, as well as to provide for independent oversight (or advice) from a third-party body such as the Australian Energy Regulator. These modifications may act to improve the clarity around how the assessment criteria would be applied practically.

In Alinta's view, there is risk that without (and even with) a clear and objective, quantitative criterion and guidelines about when and how this power will be used, the presence of this clause will act to raise compliance risks and may act as a barrier to new entrants considering investment.

### **Conclusion**

Alinta's preference remains for the original trigger points of T-3 and T-1, as presented in the Reliability Obligation's final design to remain as is, and the proposed ministerial determination to undergo further consideration and refinement.

Alinta looks forward to participating in the Amendment Bill's ongoing consultation process and would encourage consideration of the points raised above.

Please contact me via email: [anders.sangkuhl@alintaenergy.com.au](mailto:anders.sangkuhl@alintaenergy.com.au) or by phone 02 9375 0992 if you have any queries in relation to this submission.

Yours sincerely,



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