



10 November 2020

Australian Energy Market Operator
Attn: Group Manager WA Markets
PO Box 7096
Cloisters Square, Perth, WA 6850

Transmission via: wa.capacity@aemo.com.au

DRAFT REPORT: 2021 BENCHMARK RESERVE CAPACITY PRICE FOR THE 2023-24 CAPACITY YEAR

Alinta Energy appreciates the opportunity to provide feedback on AEMO's draft report on the 2021 BRCP.

Alinta Energy supports AEMO updating its draft report to incorporate the ERA's recently revised method for determining the WACC in its final proposal.

Alinta Energy considers that the forecast sharp decreases in spot steel and copper prices, driven by the impacts of COVID-19 on demand, would not decrease the cost of constructing an OCGT as significantly as outlined by the draft report.

In Alinta Energy's experience, there have been minor reductions in equipment costs due to COVID-19, but these reductions have been largely offset by increasing foreign exchange and installation costs, resulting in similar capex costs compared to historic levels.

Alinta Energy notes that if the BRCP understates the costs of constructing the marginal unit of capacity in the SWIS, it undermines the purpose of the RCM, which is ensure reliability by providing the primary signal for investment in capacity in the WEM.

Thank you for your consideration of Alinta Energy's submission. If you would like to discuss this further, please contact Oscar Carlberg at oscar.carlberg@alintaenergy.com.au or on 0409 501 570.

Yours sincerely

Oscar Carlberg
Wholesale Regulation Manager
Alinta Energy