



20 February 2024

Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

By e-mail: DMO@aer.gov.au

Net System Load Profile approach – Consultation paper

Alinta Energy welcomes the opportunity to respond to the Australian Energy Regulator's consultation paper on its approach to the net system load profile as part of the Default Market Offer determination 2024-25 (DMO6).

Alinta Energy is an active investor in energy markets across Australia with an owned and contracted generation portfolio of over 3,300MW and more than one million electricity and gas customers. The approach to the NSLP is a key input to determining the wholesale energy cost component of the DMO. It is critical that the NSLP and any profile blended with interval metered data accurately reflects the profile of demand that a representative retailer would hedge against.

For this reason, Alinta Energy considers that while imperfect, option 2 to most accurately reflect the NSLP that would form a component of the load shape that a representative retailer would hedge against (in the Energex and SA Power Networks areas). Option 2 is a more realistic NSLP shape but is still likely to be less peaky than the profile that retailers actually hedge against. The disadvantage that it is not publicly available data could be addressed by having the AER's consultants publish the data as part of the DMO6 determination.

Option 1 has no advantages over option 2 and we do not agree that the resulting NSLP from option 1 has driven retailer hedging strategies over the past 24 months. Each retailer will take a different approach to hedging based on its own forecasts and a portfolio of data to inform the load it will hedge against. Furthermore, option 1 is data adjusted to temporarily remove volatility and support market participant prudential requirements and is not representative of the actual shape and distribution of the NSLP. We note AEMO partially implemented its solution in October 2023 and the NSLP again reflects its shape and distribution prior to October 2021.

The NSLP and its settlement is one of many elements that are considered when retailers develop their preferred hedging strategy. As customers are increasingly measured through advanced (type 4) metering, the relevance of the NSLP has decreased (and has almost no relevance in Victoria for example, where advanced meters are universally deployed).

Option 2 presented in the consultation paper, combined with the blending of interval data from advanced meters should be the basis of the profile used in the calculation of the WEC component of DMO6 for the forthcoming draft determination. This would most closely reflect the profile applied by retailers when hedging their small customers as demonstrated by Alinta Energy's own data.

We do not support the adoption of option 3.

We would welcome further discussion of this response with the AER, please contact David Calder (David.Calder@alintaenergy.com.au) in the first instance.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'G Hamilton', is positioned above the typed name.

Graeme Hamilton
General Manager, Regulatory & Government Affairs