



AGL Energy Limited

T 02 9921 2999

F 02 9921 2552

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

ABN: 74 115 061 375

Level 24, 200 George St

Sydney NSW 2000

Locked Bag 1837

St Leonards NSW 2065

Australian Energy Market Commission

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### **Retailer reliability obligation exemption for scheduled bi-directional units.**

AGL Energy (AGL) welcomes the opportunity to provide feedback on the Australian Energy Market Commission (AEMC) Retailer reliability obligation (RRO) exemption for scheduled bi-directional units draft determination.

#### **About AGL**

Proudly Australian for more than 186 years, AGL supplies around 4.3 million energy and telecommunications customer services. AGL is committed to providing our customers simple, fair, and accessible essential services as they decarbonise and electrify the way they live, work, and move.

AGL operates Australia's largest private electricity generation portfolio within the National Electricity Market (NEM), comprising coal and gas-fired generation, renewable energy sources such as wind, hydro, batteries and other firming technology, and gas production and storage assets. We are building on our history as one of Australia's leading private investors in renewable energy to now lead the business of transition to a lower emissions, affordable and smart energy future in line with the goals of our Climate Transition Action Plan.

#### **Exempting batteries and pumped hydro from the RRO is sensible**

AGL supports the AEMC's draft determination to exempt batteries and pumped hydro assets from being liable entities under the RRO. We agree with the AEMC's view that exempting storage from being liable entities will improve the security of the NEM during reliability-gap periods without compromising the policy intent of the RRO.

Consistent with our submission to the consultation paper, we consider including batteries and PHES as liable entities in the RRO incentivises operators of these assets to avoid consuming energy to provide frequency control ancillary services, and other system-security services, during a reliability-gap period. This is due to risks of RRO non-compliance which could result in penalties and Procurer of Last Resort costs. Consequently, if batteries and PHES withhold the provision of grid-supporting services to avoid consuming during a gap period, system security risks could increase, with flow-on effects of added costs to consumers.

#### **The minimum trading parcels for the MLO should be reduced from 5MW to 2MW**

As per recent submissions from AGL regarding the RRO, we also recommend the minimum size of market making contracts volumes under the MLO reduce from 5MW to 2MW. We note there have been relatively low trade of lots greater than 2MW, particularly for periods far out in the curve. Amending the minimum trading parcels to 2MW would improve liquidity of trades and support the more efficient operation of the market, without creating any significant issues for participants seeking contracts.

If you have queries re this submission, please contact me at [aking6@agl.com.au](mailto:aking6@agl.com.au).

Yours sincerely,

Anton King  
Senior Manager (ag)  
Wholesale Markets Regulation