

7 May 2015

**Mr Neville Henderson
Chairman
Reliability Panel
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235**

Submitted online: www.aemc.gov.au

Dear Mr. Henderson

Re: **REL0054 – Template for Generator Compliance Programs 2015**

AGL Energy (AGL) appreciates the opportunity to comment on the Reliability Panel's (the Panel) draft report published on 26 March 2015, which contains the Panel's draft recommendations on the template for generator compliance programs.

AGL operates across the energy supply chain including investments in electricity generation as well as electricity and gas retailing. AGL's diverse power generation portfolio includes base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources including hydro, wind, landfill gas, solar and biomass. AGL also sells and markets natural gas, electricity and energy related products and services to more than 3.8 million residential and small business customer accounts across New South Wales, Victoria, South Australia and Queensland.

AGL supports the Panel's overall approach in making changes to the Generator Compliance Template (the Template). In particular, AGL agrees that the Template is only one element of a broader compliance framework, and that it therefore cannot be prescriptive. This is consistent with AGL's experience in managing the compliance of a generation fleet that consists of a wide range of generation technologies operating at various stages of the plants' life cycle.

In AGL's view, the current compliance template provided useful guidance to the formulation and implementation of AGL's compliance program for each plant. Which included flexibility in implementing our testing and monitoring regime and ensuring that it was appropriate for each plant. The amendments proposed by the Panel are reasonable, recognising the decline in the demand for energy, increased penetration of wind and solar generation capacity, and declining costs of continuous plant monitoring. AGL concurs that continuous monitoring of plant is becoming more viable and has the potential to improve the level of assurance in compliance.

AGL also welcomes the clarifications on the compliance treatment of dry stored plants. As market conditions for generation plant change over time, commercial and operational decisions will also change. AGL notes that the Template promotes a realistic approach to the compliance requirements that will allow market participants to work with AEMO and Network Service Providers in maintaining the readiness of dry stored plant and in returning plant to service.

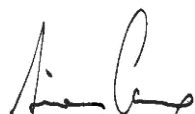
Further, AGL agrees that for older generation capacity, the Template should allow for testing and monitoring methods that are consistent with the connection agreement - or older versions of the Rules - at the time the capacity was connected to the grid.

AGL offers the following specific comments aimed at improving the application of the Template:

- 1) AGL considers that it is unnecessary for the Template to suggest a testing frequency for some of the technical requirements. Section 2.7 of the Template has adequately outlined a wide range of factors that can be considered in determining the actual testing frequency including technologies and the experience of plant operators. In AGL's view, it is more effective to allow the plant operators to demonstrate the basis of decisions as part of the compliance program. This approach recognises the inherent variability of such decisions based on operators' access to various sources of data, information and knowledge of the plant.
- 2) AGL recognises that the Template has been derived from many years of collective experience in the compliance management of largely base-load plant with known and proven technologies and tests. With the emergence of new technology and equipment, some of the existing testing could become less relevant, and possibly unsuitable, for proving compliance in a large network such as the National Electricity Market. The uncertainty of how new generation capacity (e.g. wind and solar) interact with the networks means that performance requirements such as ride through capabilities and response settling times would require different testing requirements – not anticipated by the existing Template. As the purpose of the Template is to provide guidance, it seems reasonable that it should encourage the use of any alternative testing arrangements that may be more suitable to the plant. In other words, the suggested tests in the Template should not become an unintended barrier to alternative options that may be considered as "industry best practice".
- 3) While compliance of dry stored generators with the technical requirements is required under the Rules, it is unclear whether the Template provides the basis for generators to suspend the requirements to demonstrate or report compliance while it is not in service. The proposed arrangements appear to suggest that the generator could amend the compliance program to reflect a particular arrangement for the dry stored generator. For example, it may change the testing frequency so that it reflects the duration for which the dry stored generator will be out of service without breaching the original compliance plan. AGL considers it would be beneficial to provide clarification on this point, such that any amendments do not result in a potential breach of the original Compliance Program.

Please contact Kong Min Yeh on 03 8633 6988 or kyep@agl.com.au if you have any queries.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Simon Camroux'.

Simon Camroux
Manager Wholesale Market Regulation