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Ms Sarah-Jane Derby
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235
Submitted via online portal

Ref: ERC0226

28 November 2017

Dear Ms Derby

Draft Rule Determination National Electricity Amendment (Declaration of Lack of Reserve Conditions) Rule 2017

AGL welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC) Draft Rule Determination National Electricity Amendment (Declaration of Lack of Reserve Conditions) Rule 2017 (Draft Determination).

AGL is one of Australia's leading integrated energy companies and largest ASX listed owner, operator and developer of renewable generation. Our diverse power generation portfolio includes base, peaking and intermediate generation plants, spread across traditional generation fuel sources as well as renewable sources. AGL is also a significant retailer of energy, providing energy solutions to millions of customers throughout eastern Australia.

The views expressed in this submission leverage on AGL's considerable market experience.

AGL supports – in principle – the move to a probability-based framework for declaring Lack of Reserves, as this reflects that imbalances in supply and demand have causes beyond the credible contingencies defined in the NER. AGL considers that the overarching design and input factors chosen for the probability framework are appropriate. However, AGL has concerns regarding the supporting evidence for this rule change and the consultation process.

Supporting evidence

Achieving the expected outcomes from this framework – improved accuracy promoting better market responses - will require market participants to have confidence that the probability framework's outputs are correct. AGL considers that, while the additional information provided via AEMO's submission and teleconference is useful, data provided on framework outputs is not sufficient to provide that confidence.



Consequently, AGL recommends that:

- AEMO provide a side-by-side comparison of results from the contingency-based framework to the probability-based framework using a prescribed time period. This would provide evidence of the increased accuracy from the probability framework and some indication of outcomes.
- AEMO's submission to the consultation notes that AEMO will undertake offline tests of the framework before rolling it out (page 3). Releasing the outputs of these offline tests to market participants would be beneficial, as participants will have had a chance to understand the operation of the framework more fully before its introduction.

Consultation period

AGL strongly supports the requirement that any changes to the guidelines will require a consultation process. The inclusion of a requirement to release a base level of information – such as a comparison of outcomes from the existing and the revised frameworks for a set period in the past – as part of the consultation process would assist in ensuring a consultation is effective.

The consultation period has been shortened to 20 business days. The need for a shortened consultation period is unclear, and AGL considers that the standard consultation period of 25 business days should apply.

AGL supports the principle of moving to a probability framework, but some safeguards and assurances should be put in place to allow for a smooth transition. The guidelines are, in some ways, a 'black box' and replace what has been a very transparent process to date. Releasing additional supporting evidence of the probability framework's outputs would provide additional certainty for market participants.

If you have any queries about the submission or require further information, please contact Brigid Richmond at brichmond@agl.com.au or on 03 8633 6631.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Meng Goh', enclosed in a thin black rectangular border.

Meng Goh
Senior Manager, Regulatory Strategy