

A few
words.



16 August 2016

Neville Henderson
Reliability Panel
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Submitted online via www.aemc.gov.au

Reference REL0059

Dear Mr Henderson

Reliability Standard and Settings Guidelines Review

AGL welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC) Reliability Panel Reliability Standard and Settings Guidelines (Guidelines) Issues Paper.

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 over 3.7 million customers throughout eastern Australia.

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

The value of reliability

AGL has previously expressed in submissions to the Reliability Panel that the Value of Customer Reliability (VCR) should be treated with caution, given the difficulties in determining an accurate measure, taking into account the various customer classes. AGL reiterates this caution now with respect to the Reliability Panel's intention to use the VCR as an input into its modelling.

Level and form of settings

AGL supports the Reliability Panel's proposed consideration of the level and form of settings including the Administered Price Cap, Cumulative Price Threshold and Market Price Cap. AGL additionally supports the suggestion that the Guidelines could include an explanation of each setting's purpose, to supplement the small amount of information contained in the National Electricity Rules (NER).

In the longer term, AGL suggests it may be worthwhile to consider the value of embedding further detail on the purpose of the settings directly in the NER to provide greater certainty around the consideration and application of the settings.

Changes in the supply and demand mix

AGL welcomes the Reliability Panel's proposal that the Guidelines should consider changes in the supply and demand mix.

AGL considers the Guidelines could go further, acknowledging that the market does not distinguish between the level and quality of generation in the market; in other words, whether generation is intermittent or dispatchable.

In response to changing market dynamics, AGL has developed a rule change proposal to introduce an inertia ancillary services market. AGL understands its proposal will be considered as part of the broader System Security Market Frameworks Review currently being undertaken by the AEMC and Australian Energy Market Operator.

Interactions with gas markets

AGL supports the Reliability Panel's consideration of the interaction between reliability and gas markets, given the increasing influence of gas market issues on electricity supply and prices. AGL anticipates this will continue to be a key factor in broader considerations of reliability.

If you have any queries about the submission or require further information, please contact Liz Gharghori at lgharghori@agl.com.au or on 03 8633 6723.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Simon Camroux', written in a cursive style.

Simon Camroux
Manager Wholesale Markets Regulation