

A few
words.



Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY NSW 1235

via email: aemc@aemc.gov.au

3 February 2015

Dear Mr Pierce,

**National Electricity Amendment (Governance Arrangements and Implementation of the Reliability Standard and Setting) Rule 2014
Your Reference: ERC0160**

I refer to the Australian Energy Market Commission's ("AEMC") Draft Rule Determination Paper dated 18 December 2014 in respect of the abovementioned rule change.

AGL is one of Australia's leading integrated energy companies with a diverse mix of power generation including base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources. AGL is also a significant retailer of energy with over 3 million electricity and gas customers. Accordingly, AGL supports reliability standard and settings governance arrangements which lead to acceptable levels of investment in and supply of electricity.

As outlined in AGL's response to the Consultation Paper, the strength of the current process lies in the expertise of the Reliability Panel and the commission accorded to it by Rules 3.9.3A and 3.9.3B. Removing the Reliability Panel's responsibility for setting the reliability standard will substitute the direct industry experience of the Panel members with the AEMC's assessment of the submissions it receives (and only the submissions it receives).

However, AGL agrees that the draft preferred rule change will deliver better outcomes than the initial rule change proposal, as it maintains the Reliability Panel's role in reviewing the reliability standard and settings and ensures any proposals will be subject to the AEMC rule change process, as opposed to a change through a National Electricity Rule schedule. Making changes subject to the rule change process will ensure industry is consulted and has the opportunity to inform the AEMC's decision.

AGL previously outlined its concern that increasing the prescription of how reliability standards and settings are determined could lead to lower reliability in the electricity system. Therefore, AGL welcomes the proposal that the Reliability Panel will lead the development of the Reliability Standard and Settings

Guidelines and input into the Reliability Standard Implementation Guidelines, as their contribution of industry experience and knowledge is likely to minimise this risk.



The draft preferred rule change will mean that reliability standard rule change requests can be made at any time, whereas previously they could only be made by the Reliability Panel as part of its four-yearly review. A greater frequency of rule change requests could create uncertainty for the industry, which could be detrimental to efficient investment in electricity generation. Rather than rejecting the draft preferred rule change outright, AGL suggests that the Reliability Panel consider this issue when developing the Reliability Standard and Settings Guidelines.

In making these comments, AGL maintains its view that the objective of the National Electricity Law would be best served by the Reliability Panel, which has broad industry representation, maintaining its current responsibilities.

Should you have any questions in relation to this submission please contact Kirsten Hall, Wholesale Market Adviser, on (03) 8633 6688 or at khall@agl.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Duncan MacKinnon', is positioned below the text 'Yours sincerely,'.

Duncan MacKinnon
Manager, Wholesale Markets Regulation