

A few
words.

11 April 2014

Neville Henderson
Australian Electricity Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Mr Henderson

Draft Report - Reliability Standard and Reliability Settings Review 2014

AGL Energy Ltd (AGL) welcomes the opportunity to make a submission in response to the Reliability Panel (the Panel's) draft report on the Reliability Standard and Settings Review.

AGL is one of Australia's largest vertically integrated retailers of electricity with over two million customers and substantial generation capacity in the National Electricity Market (NEM). The Reliability Standard and Settings are important signals for the NEM. AGL recognises, and appreciates, the well measured approach by the Panel in the completion of the review.

Form and Level of Reliability Standard and Settings

AGL is supportive of the Panel's draft recommendations to retain the current form and level of the Reliability Standard and Settings. It agrees with the Panel that there is a need to balance the stability and predictability of the NEM's reliability framework against the potential for further changes to the framework that may promote efficiency¹. It supports the Panel's view that there is no compelling evidence to justify a change to the current settings.

Indexation of Reliability Settings

AGL appreciates the importance of periodically reviewing measures. However, it is worthwhile noting that the CPI has been a suitable index as it has provided investors and the market with stability and certainty. Hence, any future review of the indexation method must put forward a strong case for changing the index before any change is recommended.

Value of Customer Reliability (VCR)

AGL considers that there is difficulty associated with determining how customers value reliability because of the metering issues with grouping customers. Given these difficulties, caution should be exercised in applying the VCR to the review of reliability.

AGL would argue that the existing framework should not be changed but if any changes were pursued a full cost/benefit analysis should be undertaken to make clear the issues associated with doing so.

¹ Draft Report Reliability Standard and Reliability Settings Review 2014, Reliability Panel, piii.

- > Being selected as a member of the Dow Jones Sustainability Index 2006/07
- > Gaining accreditation under the National GreenPower Accreditation Program for AGL Green Energy®, AGL Green Living® and AGL Green Spirit
- > Being selected as a constituent of the FTSE4Good Index Series



If you have any queries about the submission or require further information, please contact Josynta Singh at jsingh@agl.com.au or on 03 8633 6628.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Simon Camroux', is positioned below the closing text.

Simon Camroux
Manager Wholesale Markets Regulation
AGL Energy Ltd

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