

A few
words.



18 June 2014

Mr Chris Spangaro
Australian Energy Market Commission
Level 5 , 201 Elizabeth Street
Sydney NSW 2000

Lodged (online): <http://www.aemc.gov.au>

Dear Mr Spangaro

AEMC Draft Determination, National Electricity Amendment (Governance of retail market procedures), Reference ERC0162

AGL Energy Limited is pleased to comment on the AEMC draft determination on the National Electricity Amendment (Governance of retail market procedures) Rule 2014.

AGL is very concerned that an opportunity to formalise and improve the current arrangements for making or modifying retail market procedures will be lost by the decision not to make the Rule Change proposed by AEMO, as modified by their late submission in February (the revised proposal).

AGL agrees that the original proposal was flawed and our submission last November expressed those concerns. AEMO, however, met with the industry and proposed an alternative that had industry support (noting that the AEMC proposed a further refinement during a meeting with AGL).

The AEMC draft determination considers that the proposal does not promote the NEO due incentives on the industry to ensure the efficiency of the current processes and not being convinced of AEMO's concerns with accountability. This ignores the fact that the industry and AEMO has effectively implemented the arrangements contained in the revised proposal as an efficiency in dealing with the complicated issues in B2B and B2M processes. The Rule change was proposed to resolve concerns with governance that arose from this more efficient mode of operation. The outcome of the decision, if it is implemented as a final decision, is therefore to reduce the efficiency of the process. In fact, AEMO have already decided to separate the operation of its Retail Market Executive Committee from the Information Exchange Committee.

The draft determination also states that management of B2B processes can be altered at a later stage through the Rule change process and that this may be preferable given further change is likely to be necessary. While this is undoubtedly true, making a change now to reduce AEMO concerns and to maintain or improve the operation of industry processes is still the correct approach. The fact that change may be required in a year or so should not prevent improvements now, especially since the impact on the governance is only positive. The downside of delay, reduced efficiency and uncertainty, means that by this decision the AEMC actually acts against the NEO.

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AGL believes that a better decision would be for the AEMC to accept the revised proposal, possibly with a forum or a further round of consultation, and allow the new body and AEMO to develop the further changes required as the Power of Choice review recommendations are implemented. This could be further enhanced by removing the power to change the new body from this Rule change, leaving that power with the AEMC to respond to a further industry Rule change.

AGL therefore recommends that the AEMC makes a preferred Rule based on the revised proposal.

AGL would like to meet with the Commission to discuss the draft determination and our response. Please contact me on 03 8633 6026 to arrange this meeting and if you have any questions in relation to our submission.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'AC', is positioned above the typed name.

Alex Cruickshank
Manager Metering Regulation and
Market Interaction

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