

A few
words.



28 July 2016

Mr Roger Shaw
Australian Energy Market Operator
GPO Box 2008
Melbourne VIC 3001

Submitted via email GWCF_Correspondence@aemo.com.au

Dear Mr Shaw,

Wholesale Market AMDQ Procedures (Victoria)

AGL welcomes the opportunity to comment on the Australian Energy Market Operator's (AEMO) Proposed Procedure Change (PPC) to the Wholesale Market AMDQ Procedures (AMDQ Procedures).

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.

AGL is broadly supportive of the AMDQ Procedures, but considers that a number of elements require clarification so that Market Participants can confidently take part in the AMDQ credit certificates (AMDQ cc) auctions.

Eligibility and auction timing

Eligibility to participate in the auctions is covered in section 6.1.2, however the intent is unclear. The section could mean that allocation of the auctioned AMDQ occurs at a later time than the auction, allowing new entrants to bid for AMDQ cc provided allocation occurs only once they become a Market Participant. An alternative reading is that AMDQ allocation occurs very close to the auction, barring new entrants from being allocated AMDQ cc. AGL considers the first interpretation to be preferable, but in any case, AEMO should make the meaning of this section clear.

Section 6.2.2 requires AEMO to issue a notice of the auction 'in sufficient time' for auctioned AMDQ cc to be allocated with reference to three applicable scenarios, but does not indicate what 'in sufficient time' is for each of these scenarios.

Information from declared transmission system service provider (DTSSP)

Section 6.3.1 provides that the DTSSP must notify AEMO of new capacity expected to be commissioned during the next access arrangement, no later than 12 months before the revision commencement date specified in the current access arrangement, to allow for auction planning. Additionally, the DTSSP must notify the proposed reference or other tariffs and potentially even the number of AMDQ cc that must be allocated for the project to proceed, to ensure a return for the DTSSP.

The earlier AEMO is able to plan for AMDQ cc auctions, the greater the benefits to Market Participants. AGL supports the measures outlined in 6.3.1, as the framework is likely to encourage network investment and provide improved certainty to Market Participants. Ensuring auctions can be scheduled well in advance of capacity coming online will afford Market Participants certainty of their route to market, and better forward planning into flow on aspects such as retail tariffs.

Allocation options

Of the two AMDQ cc allocation options proposed by AEMO, AGL supports a clearing price where the price is specified for all bidders in the relevant price step. AGL considers this is a fairer approach than pay as you bid, which relies on a blind price.

That said, the clearing price allocation process in section 6.5.2(d), where demand for AMDQ cc is greater than availability, is complex. AGL suggests that this section could be drafted more clearly.

Payment

AGL suggests that further detail about payment terms and cycles is necessary, so that Market Participants can assess how these terms can be met and fit into existing settlement processes.

Sale or re-auction

AGL is broadly supportive of the process outlined for selling or re-auctioning capacity, however AGL has some reservations around when a further auction will be held. Specifically, section 6.7.1(c) refers to 'sufficient interest from Market Participants', but does not define what constitutes 'sufficient interest'. In AGL's view, if more than one Market Participant is interested in purchasing the AMDQ cc, then an auction should take place to ensure equitable acquisition.

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'.

Simon Camroux
Manager Wholesale Markets Regulation