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Australian Energy Market Commission

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Operating Reserve Market directions paper

AGL Energy (AGL) welcomes the opportunity to respond to the Australian Energy Market Commission Operating Reserve Market directions paper.

About AGL

Proudly Australian for more than 185 years, AGL supplies around 4.3 million energy and telecommunications customer services. AGL is committed to providing our customers simple, fair and accessible essential services as they decarbonise and electrify the way they live, work and move.

AGL operates Australia's largest private electricity generation portfolio within the National Electricity Market, comprising coal and gas-fired generation, renewable energy sources such as wind, hydro and solar, batteries and other firming technology, and gas production and storage assets. We are building on our history as one of Australia's leading private investors in renewable energy to now lead the business of transition to a lower emissions, affordable and smart energy future in line with the goals of our Climate Transition Action Plan.

Question 1: do you agree with the Commission's decision not to recommend the implementation of an operating reserve market?

AGL long supported an operating reserve market as the best mechanism, if it was deemed one was required, to address a risk of insufficient market reserves as we considered it would be less disruptive and easier to implement than alternative mechanisms such as a capacity market or modification of the Retailer Reliability Obligation. Nevertheless, we accept that an operating reserve market was not broadly supported by industry and that more recent developments such as the introduction of the Capacity Investment Scheme and the Reliability Panel's recommendations for increases in the market price settings may reduce the need for such a mechanism.

Question 2: is there merit pursuing the two additional incremental improvements, including formalising these in the Rules framework?

Yes.

1. Develop and publish more information to the market

AGL agrees the AEMC should give further consideration to the proposal to allow AEMO to receive storage and state of charge information for energy limited plant and publishing it in either pre-dispatch or dispatch, with the aim to address the need for more information on the flexibility and duration of plant. We agree this transparency could lead to batteries charging or thermal units turning on to meet an anticipated shortfall to the benefit of reliability and market efficiency.

Given AEMO currently receives real-time information on the state of charge of large-scale batteries through its supervisory control and data acquisition system publishing this information should not be costly to implement, especially if it is provided through existing processes. If it is also proposed, as part of this incremental improvement, that AEMO publish information that it does not currently obtain from the market, we would need to consider the specifics of that information before providing an opinion on whether we consider it could be cost effectively obtained and provided to AEMO.

In regard to the AEMC's concern that increased supply-side information transparency may lead to anti-competitive or otherwise inefficient outcomes we do not consider this concern to be valid. Broad market knowledge of an impending undersupply would only help an efficient market response, which includes scarcity pricing which is an essential dispatch and investment signal. Increased transparency may also improve competition by lowering barriers to entry as new entrants are better able to identify opportunities to invest.



2. Procurement of FCAS at a regional level

AGL supports the proposal to make the procurement of regional FCAS routine, rather than just occasional as currently occurs. We also support further consideration of the development of sub regional FCAS procurement. We consider these proposals would provide greater flexibility for the management of contingency events (including unanticipated reductions in variable renewable energy across a whole renewable energy zone) by providing an option for more local FCAS when interconnector or other network constraints make a global response inadequate.

Question 3: are there any other incremental improvements that should be pursued in the absence of an operating reserve market being implemented?

The Reliability Panel's recommendations for increases in the market price settings if adopted will improve the availability of reserves in the NEM.

If you have any queries about this submission, please contact Anton King on (03) 8633 6102 or aking6@agl.com.au.

Yours sincerely,

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