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Australian Energy Market Commission

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AGL Response to Amendment of the Market Price Cap, Cumulative Price Threshold and Administered Price Cap Draft Rule Determination

AGL Energy (AGL) welcomes the opportunity to comment on The Australian Energy Market Commissions (AEMC) Amendment of the Market Price Cap (MPC), Cumulative Price Threshold (CPT) and Administered Price Cap (APC) draft rule determination (draft rule).

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.

This draft determination sets out a more preferable draft change to amend the existing market price settings. The AEMC states that these changes are necessary as the existing market price settings are too low to support investment in the generation, demand response, and storage that will operate when needed most.

The draft rule amends the market price settings in the NEM

We support the draft rule change amendment of increasing the MPC and CPT gradually. The increasing retirement of dispatchable generation means that capacity will need to be in part replaced by new dispatchable generation or storage. Introducing progressive increases to the MPC and CPT will go some way to create this incentive for market entry. AGL notes that the key challenge in driving the transition to a low carbon and reliable grid is how to achieve this at least cost to customers. AGL consider the adjustments to the MPC and APC in the energy market is the most efficient and least costly option.

AGL also support the draft rule maintaining the APC at \$600/MWh rather than the Reliability Panel's recommendation of setting the APC at \$500/MWh. We agree with the AEMC that maintaining the APC at its current level is sufficient to encourage hydro and battery storage, and existing thermal generation to operate during times of extended very high prices. This will reduce the need for AEMO intervention and risk of outages for consumers.

The draft rule works with Commonwealth and state government investment schemes to deliver the investment mix needed as the NEM transitions

We consider current and future government schemes that facilitate investment in new generation and storage capacity are designed to be complimentary to the energy market as the schemes act



as a safety net, enhance project viability, and accelerate investments. We therefore believe it remains appropriate to maintain market price settings that incentivise capacity to enter the market alongside complementary government schemes or policies. We consider the draft rule achieves this as it will work with jurisdictional schemes to support investment.

The draft rule minimises cost impacts for consumers and delivers long-term cost benefits

We note that the Reliability Panel has stated that there is likely to be a reliability shortfall from 2028 under the current market price settings. This will likely cause MPC events to be longer and more frequent under current settings having impacts on customers' bills. We therefore support the draft rule change to the market price settings as it ultimately should incentivise additional supply which would drive lower costs and improve reliability, and its gradual implementation spreads the impact on consumer bills over time.

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

Yours sincerely,

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