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Australian Energy Market Commission

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ASX Australian Peak Load Electricity Futures Contract Specifications

AGL Energy (AGL) welcomes the opportunity to respond to the ASX Australian Peak Load Electricity Futures Contract Specifications Consultation 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.

Change to contract specification

1. Which peak load profile (Option 1 or Option 2) is your preferred option and why?

AGL has a strong preference for Option 1 (evening 4pm to 8pm) over Option 2 (morning and evening 6am to 9am and 4pm to 8pm) for the following reasons.

- A contract which covers a shorter, single period is likely to have greater liquidity
- Option 1 is more targeted, which avoids contract parties having to over buy/sell to use the contract
- Option 1 supports retailers better by allowing them to target their peak load
- Option 1 is better for generators/storage who will only need one start to cover their position
- 4pm to 8pm, as a four hour period, is particularly suitable for four hour batteries which are expected to become common in the NEM

2. Do you agree with the proposed contract specification for your preferred profile as presented?

- a. Are there any other contract specification changes that would make the product more desirable for trading and as a hedging tool?

We support a four hour period as it better allows shaping of hedge cover and facilitates potential segmenting of the day into even periods.

We note that Option 1 is proposed for 4-8pm AEST (NEM time) which excludes daylight saving, so except for Queensland this means the contract period is 5-9pm local time for the rest of the NEM when daylight saving occurs. This is appropriate however as peak demand in summer is later in the day on local time in these regions which use daylight saving.



3. Do you foresee the peak demand profile changing again in response to generation and storage developments (e.g. battery storage) or other factors such as electric vehicles etc.? If so, when would you expect this to materially change the proposed peak demand profile?

We expect generation and storage developments are more likely to follow peak demand profiles rather than to drive peak demand profiles. Likewise, we expect electric vehicles are more likely to charge and discharge based on grid demand rather than to drive grid demand. We expect it is inflexible generation and demand factors that are more likely to alter peak demand profiles such as increased grid and rooftop solar.

We expect a new peak load profile, particularly if restricted to a single four hour period, may lead to more predictable supply from flexible resources.

Implementation of change

4. What is the minimum notice period you require to manage open positions?

We do not require a notice period for the proposed changes.

5. Can you foresee any potential consequences of updating the product specification of the existing contracts, i.e. keeping the same commodity codes? If so, please provide details of the consequences in your response?

We foresee no significant issues associated with updating the product specifications while maintaining the existing commodity codes.

Other considerations

6. Do you foresee any unintended consequences as a result of any of the proposed changes?

No.

7. Is there anything else that you would like to raise for consideration?

No.

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

Yours sincerely,

Chris Streets
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