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AEMC's Consultation Paper – National Electricity Amendment (Shortening the Settlement Cycle) Rule 2024

AGL Energy (AGL) welcomes the opportunity to provide feedback on the AEMC's Consultation Paper (the Consultation Paper) regarding GloBird Energy's (GloBird) rule change request to shorten the settlement cycle in the National Electricity Market (NEM) from 20 business days following the end of a billing period (as is current practice), to 10 business days.

Proudly Australian for more than 186 years, AGL's business operations include retailing energy to around 4 million customers. 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 also operates Australia's largest private electricity generation portfolio within the NEM, comprising coal and gas-fired generation, renewable energy sources such as wind, hydro and solar, batteries and other firming technology. 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 emission, affordable and smart energy future in line with the goals of our Climate Transition Action Plan.

The AEMC's assessment criteria relevant to this rule change request

After considering the national electricity objective and the issues raised in the rule change request, the Commission proposes to assess the rule change request against four assessment criteria:

- 1. Outcomes for consumers including whether the proposed rule change will lead to:
 - consumer savings
 - better and more innovative service offerings for consumers
 - more competition in the retail market
 - lower levels of consumer disruption from a reduced risk of retailer failure
- 2. **Principles of market efficiency** whether the shortening the settlement cycle will impact principles of market efficiency, including the impact on:
 - · competition in the retail market
 - the impact on competition in the retail market
- 3. **Innovation and flexibility** whether support increased innovation and flexibility for market participants, by reducing the level of capital market participants must hold or lodge with AEMO
- 4. Implementation considerations including:
 - consideration of any implementation complexities associated with changes to prudential requirements and changes to the settlement of financial contracts

AGL considers the assessment criteria identified by the AEMC are relevant to the rule change request. However, we consider that further analysis needs to be conducted first to ensure market participants (of all types) are appropriately informed of the potential costs, benefits and broader consequences arising from the proposed rule change.

The GloBird rule change request states it is primarily seeking to reduce the costs of the prudential regime imposed on retailers by shortening the settlement cycles. Having a strong prudential regime is critical to the integrity and functioning of the NEM, and the secure and reliable supply of electricity to consumers.



We consider that the AEMC, in conjunction with AEMO, should provide further detail about how the proposed rule change could impact the methodology, systems and meter data streams used by AEMO to determine the settlement outcomes as well as the processes for establishing the prudential settings for each market participant to meet the NEM's prudential standard (i.e. the value of the prudential probability of exceedance – being 2%). If, for example, volatility was affected by the change in settlement period, then this could affect whether the purported benefits of the proposed rule change are realised.

While GloBird notes the main beneficiaries of the proposed rule change would be small and medium sized retailers, AGL strongly encourages the AEMC to consider the impact on all market participants, particularly those which are typically the recipients of payments from AEMO (i.e. creditor market participants) and can be strongly affected in the event of a market participant default.

Further, we note there may be value in the AEMC considering the impact of data reliability arising not only from the proposed change to the settlement cycle, but the roll out of smart meters across the NEM.

We acknowledge that the AEMC's Consultation Paper sets out a series of questions to help it assess the rule change proposal. Unfortunately, AGL is not in a position to meaningfully engage with these questions prior to receiving additional information and analysis on the potential costs, benefits and broader consequences arising from the proposed rule change.

AGL would like to emphasise that this submission should not be taken as a rejection of the rule change proposal. Rather, AGL is a strong advocate of improvements to the energy system including the broad benefits that can be achieved through competition.

We look forward to further engagement on this proposal as the AEMC progresses its review.

Yours sincerely,

Chris Streets

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