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4 February 2021

Dear Kevin

### **AGL Energy Limited**

AGL Energy (AGL) welcomes the opportunity to comment on the Australian Energy Market Operator (AEMO) Gas Fee Structures draft report.

AGL is one of Australia's leading integrated energy companies and the 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 thermal generation as well as renewable sources. AGL is also a significant retailer of energy and provides energy solutions to over 3.6 million customers in New South Wales, Victoria, Queensland, Western Australia, and South Australia.

#### **Gas fee structure term**

AGL agrees with AEMO's proposal to retain the existing three-year term and rolling period for the next fee structure period.

#### **Registration fees**

While AGL considers the existing registration fee structure to be simple and adequate, we accept AEMO's proposal that registration fees be charged to registered participants on an upfront basis in the Declared Wholesale Gas Market (DWGM) and Short Term Trading Market (STTM), provided the fees remain comparable with other market registration fees and the fee structure remains simple.

#### **PCT fees – disaggregation into component services**

AEMO proposes to disaggregate fees for transportation services traded on the Capacity Trading Platform and the Day Ahead Auction into compression service fees and transmission service fees on a \$/GJ basis. AGL does not consider that a fee that varies based on capacity is appropriate here given that AEMO does not provide the compression or transmission service, it just facilitates the trade. We therefore do not consider charging on a \$/GJ basis to be a cost reflective approach and reiterate the suggestion from our submission to the consultation paper that Pipeline Capacity Trading (PCT) fees may be better allocated through charging a licence fee per participant to manage the gas trading software, and then a flat fee for each other trading fee.

#### **PCT fees – recovery via other markets**

AEMO proposes to retain the status quo for PCT fee recovery from registered participants, but to introduce a 'deficit safety net' of \$900,000, which will give AEMO the right to recover any amount



exceeding this threshold from the DWGM and STTM wholesale markets during the fee structure term. Consistent with our submission to the consultation paper, AGL does not support this proposal to recover these fees from wholesale gas markets. We are concerned that the deficit safety net amount may place an unexpected fee on wholesale market participants, which in turn is likely to impact wholesale spot market prices, but which may not be collected from the retail side of the market, leading to unexpected imbalances for participants.

#### GSOO fees – application to participants

Retailers across the retail gas market jurisdictions are currently charged for GSOO costs at a flat rate per customer supply point. AEMO proposes to recover 50% of GSOO costs in the same manner going forward and 50% from producers on a \$/GJ produced basis. AGL supports this approach as it will be more cost reflective.

#### Gas Bulletin Board fee structure

AEMO proposes to continue to charge GBB fees on a \$/GJ basis, that is on a \$/GJ produced basis for producers and a \$/GJ withdrawn basis for wholesale gas market participants, which contrasts with the 50:50 producer/retailer split for the GSOO. AGL suggests that AEMO consider whether it may be appropriate to make the GSOO and GBB allocation to participant types consistent.

#### Retail market fees – aggregation

AEMO proposes to retain the existing structure for recovery of the retail market fees by jurisdiction on a \$/ customer supply point basis. While our submission to the consultation paper suggested that a consolidated retail market gas fee, which is uniform across jurisdictions, would result in efficiencies for retailers, we do not consider this to be critical so long as the recovery structure is consistent across jurisdictions as this will reduce barriers to entry between the various retail gas markets.

If you have any questions about this submission, please contact Anton King at [aking6@agl.com.au](mailto:aking6@agl.com.au) or on 03 8633 6102.

Yours sincerely,

**Chris Streets**

Senior Manager Wholesale Markets Regulation