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Submission to Generator Three-year Notice of Closure – Consultation Paper (ERC0239)

AGL Energy (**AGL**) welcomes the opportunity to comment on the Australian Energy Market Commission's (**AEMC**) Generator Three-year Notice of Closure Consultation Paper (**Consultation Paper**).

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 3.5 million customers in New South Wales, Victoria, Queensland, Western Australia and South Australia.

Provision of 3-year notice of closure

AGL supports the proposed rule change in principle. Ensuring that the market is provided with accurate information on generation capacity and availability is a key element in making the correct investment decisions required during the present transitional period in the NEM.

We consider that pricing and reliability impacts following the withdrawal of significant generation capacity are greatly exacerbated where insufficient notice is given to the market. As noted in the consultation paper, AGL has provided 7 years notice of the closure of Liddell Power Station. Additionally, as part of seeking an extension to the relevant mining license for Loy Yang A Power Station, we provided a 5-year notice of closure to the Victorian Government. We note that these decisions to provide notice were based on broader considerations than those posed in this rule change and thus we would view a 3-year minimum as being sufficient for the purpose of providing certainty to the market.

Noting the proposed minimum 3-year period, we support the inclusion of rule 2.10.1(c3) allowing for early closure where the generator is subject to an unforeseen event beyond the reasonable control of the generator. However, we do not consider that any of the proposed rules requiring notice of closure should be subject to a civil penalty. The imposition of a penalty based on an assessment of whether an unforeseen event is beyond the reasonable control of a generator would be problematic and could potentially deter investment. It is likely that significant reputational impacts would occur in the instance that a generator closes without providing the required notice.

Related licenses or generation authorities

One issue that has not been adequately considered in the consultation paper relates to other licences or other authorities that a generator is subject to. These may be granted with an expiry date earlier than the intended closure of the generator and thus may require an application for a renewal. The interaction of expiry



dates built into such other licenses and authorities with both the initial notice of a generator's intended closure upon registration and the requirement to provide 3-years notice of closure needs further assessment to ensure that information provided under these requirements most accurately reflects the actual closure date of the generator.

Interaction with complex ownership structures

Additional complexity may stem from some of the various ownership structures that exist within the NEM, where the registering entity and operator may not necessarily be the owner of the relevant plant. For instance, a registered participant operating a generator on behalf of the owner of that facility may be informed with less than the required notice about that owner deciding to close that generator. Assessment of the applicability of the notice of closure requirements would be welcome to determine how these responsibilities may be split between generation owners, operators, and intermediaries.

Specific questions from the consultation paper

The Consultation Paper seeks comment on how 'closure' should be defined for the purpose of this proposed rule. Taking into account the above issues, the main element that we consider needs to be captured by the definition is a measure of certainty. In order to provide the market with appropriate incentives to replace lost capacity, an accurate reflection of the withdrawal of plant is necessary. It would be a sub-optimal outcome if a closure would potentially trigger new investment, only for uncertainty over the actual exit of that generator to exist.

The Consultation Paper also seeks comment on the appropriate threshold for applicability of these notice requirements. We consider that the proposed 30MW threshold is suitable for the sake of simplicity.

If you have any queries about this submission, please contact Chris Streets on (03) 8633 6758 or CStreets@agl.com.au.

Yours sincerely,

Elizabeth Molyneux

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