



**AGL Energy Limited**  
ABN: 74 115 061 375  
Level 24, 200 George St  
Sydney NSW 2000  
Locked Bag 1837  
St Leonards NSW 2065  
t: 02 9921 2999  
f: 02 9921 2552  
agl.com.au

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**Mr Andrew Pirie**  
**Australian Energy Market Commission**  
via the AEMC website

11 July 2019

### **ERC0267 – 5-minute settlement and global settlement implementation consultation**

AGL Energy (**AGL**) welcomes the opportunity to comment on the Australian Energy Market Commission's (**AEMC**) consultation paper on 5-minute settlement (**5MS**) and global settlement implementation (**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.

In general, AGL supports the proposed amendments to the 5MS and global settlement final rules. We note that these amendments have been developed through close consultation between the Australian Energy Market Operator (**AEMO**) and industry participants through the 5MS procedures working group and specific focus groups. We have provided some additional comments on each of the proposed amendments to the 5MS and global settlements final rules at Attachment A.

We do wish to raise one substantive issue that we have identified that relates to the commencement date of global settlement, currently set at 6 February 2022. This start date could cause issues regarding responsibility for metering works at distribution network boundaries. We have provided further details and a proposed resolution below.

#### **Proposal to amend starting date for Rule 7.6.2 (2A)**

The global settlement final rule specifies that the party responsible for appointing a Metering Coordinator (**MC**) at a point where one distribution business supplies energy to another distribution business, is agreed between the two distribution businesses.

#### **Clause 7.6.2 Persons who may appoint Metering Coordinators**

- (2A) with respect to a *connection point* or proposed *connection point* that is on a *distribution network* and which connects that *distribution network* to an adjacent *distribution network* (other than an *embedded network*) by the *Distribution Network Service Provider* responsible for appointing the *Metering Coordinator* at that *connection point* as determined by agreement between the two *Distribution Network Service Providers* related to that *connection point*.



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AGL supported this position in its response to the global settlements rule, as we believe that assets such as this should be the responsibility of the Distribution Network who is the regulated party.

The global settlements rule gives AEMO responsibility for calculating Unaccounted for Energy (**UFE**) from July 2021 (cl 11.112.5). Recent discussions across industry have indicated that there may be a need to undertake metering works to ensure that boundary crossings meters are operating properly. These works are not yet defined as the obligations and data requirements are still being finalised.

This effectively means that if any boundary metering works are required, this must occur prior to 1 July 2021 to enable AEMO to calculate UFE and absolutely must be in place for 6 February 2022 when participants are being settled on UFE.

AGL notes that under the current arrangements the obligations to appoint an MC and be responsible for undertaking these works would rest with retailers until 6 February 2022. At that time, it is unclear if there would then be a need to transfer the MC appointment to the relevant Distribution Network or if the retailer would retain responsibility for those installations constructed prior 6 Feb 2022, when the rule commences.

As such, AGL proposes that the commencement of rule 7.6.2(2A) be brought forward to an earlier date (e.g. 1 July 2020) to ensure clarity of obligations in the lead up to the start of 5MS and global settlements.

AGL suggests that as the rule has already been made and that the proposed amendment is only to the start date, that this proposal be treated as non-controversial.

If you have any queries about this submission, please contact me on (03) 8633 6758 or [CStreets@agl.com.au](mailto:CStreets@agl.com.au).

Yours sincerely,

Chris Streets  
Senior Manager Energy Markets Regulation



## **Attachment A**

### Wholesale Market Operations

#### *Resolution of Marginal Loss Factors (MLFs)*

AEMO has argued that changing the methodology for calculating MLFs would be 'costly and resource intensive to update the offline calculation tool to calculate 5-minute MLFs.' However, AEMO has not provided an estimate of the cost or resources required but predicated the argument on the basis that the MLFs are calculated and then averaged for the following year.

AGL highlights the AEMC's ongoing work to review the MLF framework, in addition to the broader transmission network access and charging regime. Against this background AGL considers that the interaction with 5MS should be reconsidered once these review processes have been finalised.

#### *Accommodating Fast Start Plant*

AEMO has identified concerns with the pre-dispatch profile and the subsequent issues this would lead to. AGL suggest that without this change, AEMO will have dispatch issues and generators will likely struggle with dispatch and bidding / rebidding requirements.

As such, AGL strongly supports this proposal.

#### *Correction of AEMO Procedures*

AGL consider that the obligations placed on AEMO in relation to the reliability standards and settings is incorrectly allocated, and should instead be allocated to the Reliability Panel. That said, it is likely that the Reliability Panel may need a new completion date to complete the review.

### Clarifying Global Settlements

#### *Assigning unmetered loads to Transmission Node Identifier (TNI) or Virtual Transmission Node (VTN)*

AGL has previously made submissions on this issue and has advocated that where there are no interconnections between Transmission Nodes (e.g. rural areas) that unmetered loads (UMS) be allocated to the TNI. Where there are substantial load transfers across various transmission points (generally metropolitan areas) then those unmetered loads should be allocated to a VTN representing those transmission nodes where load is shared.

The basis for this argument is that when participants are attempting to identify and reduce the sources of UFE, having all loads allocated to a single VTN will make it very hard to identify the physical issues within those areas. Segregation of the UMS within the independent Transmission Nodes will make the identification and remediation of issues within those areas more efficient.

If UMS loads are smeared across all transmission nodes, then it will be very hard to identify where UFE issues have arisen, as will be the case in metropolitan areas.



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#### *Remove FRMP responsibility at Boundary Points*

AGL supports this proposed change, as in a global settlement environment, there is no financial participant who is responsible at these points.

AGL also notes the proposed amendment to the start date covered in the main body of this submission.

#### *All customer loads to be market loads*

AGL has been very active in this area with AEMO and Distribution Businesses to develop an appropriate framework for these loads to be recognised within the market and appropriately allocated.

AGL notes that AEMO's proposed rule seeks to name these loads 'non-contestable unmetered loads' but notes that the AEMC advice was that their present status of being non-contestable could be amended through a rule change process. As such, AGL does not consider the name change to be suitable.

#### *UFE not allocated to distribution generators*

AGL supports the change as proposed and agrees that it should only apply to settlement processes for distribution connected generators for their generation, not their consumption of energy from the market.

#### Information Provision

##### *Amend spot market timetable*

AGL has previously commented on the processes for making administrative changes. While AGL supports the efficient operation of all markets, AGL also notes that what seems to be a minor administrative change by AEMO may have substantial implications for a market participant.

As such, AGL suggests that for administrative change processes such as this, general practice might be similar to the non-controversial rule change process. That is:

- AEMO publishes the amendments and seek feedback from participants within a 10-business day window.
- If there are no objections, then AEMO can finalise the amendments.
- If there are proposed changes AEMO agrees with, they republish with another 10-business days' notice for feedback.
- If there are material objections, AEMO must undertake the full consultation process.

AGL believes that such a process would allow AEMO the ability to make minor changes, but also provide market participants some protection if those changes have unintended consequences.

##### *Timing to publish UFE*

AGL agrees with AEMO's proposed change. There are numerous procedural and data exchange requirements which must be completed in order for AEMO to calculate UFE. These changes, in many cases, cannot take effect until 1 July 2021.

AEMO has already proposed changes to metrology procedures to enable this work to commence from 1 July 2021, which participants are being consulted on.