



Mr Samuel Martin
Australian Energy Market Commission
Level 6, 201 Elizabeth Street
Sydney NSW 2000

Lodged through online portal

Dear Mr Martin,

ERC0282 Application of compensation in relation to AEMO interventions Rule

ENGIE Australia & New Zealand (ENGIE) appreciates the opportunity to respond to the Commission’s consultation paper on the Application of compensation in relation to AEMO interventions Rule (“the Consultation”).

The ENGIE Group is a global energy operator in the businesses of electricity, natural gas and energy services. In Australia, ENGIE has interests in generation, renewable energy development, and energy services. ENGIE also owns Simply Energy which provides electricity and gas to more than 730,000 retail customer accounts across Victoria, South Australia, New South Wales, Queensland, and Western Australia.

Care should be taken to ensure a balanced approach to changing the rules around interventions and compensation

ENGIE understands that the purpose of this rule change is to give effect to the AEMC’s view as expressed in their more preferable rule on the application of the RRN test that interventions for reasons other than to provide market traded services should not result in compensation for affected participants.

The drafting of that rule has resulted in an anomaly in the rules that would require AEMO to develop a new compensation methodology as it would no longer be able to implement intervention pricing by way of compensation. Accordingly, AEMO has proposed a new rule to make it more explicit that compensation is not payable in the case of interventions for reasons other than to provide market traded services.

Given this, the rule change proposal appears to appropriately give effect to the AEMC’s intent, and it is sensible to align the timing of the final rule with the related rules on application of the RRN test and on compensation thresholds. However, it highlights the risk in making hasty and incomplete rule changes in response to the interventions and system strength review.





The longer-term goal should be to ensure an adequate supply of system security services without relying on interventions

Setting aside the individual merits or otherwise of the Commissions' recommendations in its final report on its investigation into interventions, the underlying driver for the investigation remains, namely the necessity for AEMO to use intervention tools such as directions to provide system services from time to time.

While the installation of synchronous condensers into Electranet's transmission network should go some way to reducing the number of directions in South Australia for system strength (notwithstanding there are existing unused synchronous condenser services on offer and uncontracted), they are not guaranteed to avoid the ongoing need.

Similar issues are likely to arise in other parts of the network over time as synchronous generation exits the market. Accordingly, the direct solution to the underlying issue is to ensure that procurement mechanisms for example (markets, contracting) are in place for all the services that AEMO requires to maintain a secure system, such that those parties that can provide these services get appropriately rewarded for them.

This would ensure more efficient signals for investment and disinvestment of different resource types that offer different types of service. The Commission's recommendations arising from its investigation into intervention mechanism seek only to "treat the symptoms" rather than cure the underlying issue.

Should you have any queries in relation to this submission please do not hesitate to contact me on, telephone, (03) 9617 8415.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Jamie Lowe".

Jamie Lowe

Head of Regulation