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Compensation for market participants affected by intervention events rule change – ERC0284

Submission via AEMC website

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AGL Response to AEMC Directions paper, Compensation for market participants affected by intervention events rule change

AGL Energy (**AGL**) welcomes the opportunity to comment on the AEMC Directions paper - Compensation for market participants affected by intervention events rule change (directions paper).

AGL is one of Australia's largest integrated energy companies and the largest ASX listed owner, operator, and developer of renewable generation. AGL is also a significant retailer of energy and telecommunications, providing solutions to around 4.2 million across Australia.

The purpose of the affected participant compensation framework is to put participants in the position they would have been in, but for the market intervention. In considering an appropriate design, the administrative costs should not unduly outweigh the market benefit of the compensation framework.

The AEMC directions paper assesses an issue raised by AEMO regarding the challenges of assessing compensation for bi-directional units, such as batteries. AEMO has noted that these unit types may significantly deviate from their dispatch target to provide FCAS. In some cases a unit may switch to exporting energy rather than a target to consume energy, or vice versa.

As the AEMC notes in the directions paper the *target based approach*, as initially preferred in the draft rule determination, may over compensate participants particularly when providing FCAS. We accept that without a more administratively costly assessment of taking into account why the unit deviated from the dispatch target (such as the provision of FCAS) the *target based approach* is not appropriate in the specific circumstances outlined in the directions paper.

We consider the now preferred option, option two, of assessing the actual performance (*actual performance approach*) subject to the target in both the intervention pricing run and dispatch run in NEMDE is an appropriate alternative. Whilst this approach does not comprehensively avoid the circumstance of over-compensation when a facility has deviated from their target other than due to FCAS, the proposed approach largely addresses the circumstances in which this undesirable outcome may occur.

The actual performance approach is therefore a reasonable compromise subject to the additional measures outlined in the directions paper, these include:

- where a participant's targets in both runs of NEMDE are identical, no compensation will be payable under clause 3.12.2 of the NER
- express provisions under clause 3.12.2 to repay any compensation where the participant has made a contribution to the intervention event



In light of the proposed actual performance approach, we also support the AEMC's proposal to clarify which compensation framework applies in certain scenarios. This is appropriate as the *actual performance approach* should provide the same level of clarity as the previously preferred option. We agree that the MW target issued by NEMDE should determine which framework applies. Further, we support the AEMC proposal that this guidance should only be for circumstances where the compensation framework is not immediately evident.

If you have any queries about this submission, please contact Kyle Auret on (03) 8633 6854 or KAuret@agl.com.au.

Yours sincerely,

Chris Streets

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