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Amendment of the Market Price Cap, Cumulative Price Threshold and Administered Price Cap rule change– ERC0353

Submission via AEMC website

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AGL Response to Amendment of the Market Price Cap, Cumulative Price Threshold and Administered Price Cap rule change consultation paper

AGL Energy (**AGL**) welcomes the opportunity to comment on the AEMC Amendment of the Market Price Cap (**MPC**), Cumulative Price Threshold (**CPT**) and Administered Price Cap (**APC**) rule change consultation paper (**consultation paper**).

AGL is a leading integrated essential service provider, with a proud 185-year history of innovation and a passionate belief in progress – human and technological. We deliver 4.3 million energy and telecommunications services to our residential, small, and large business, and wholesale customers across Australia. We operate Australia's largest electricity generation portfolio, with an operated generation capacity of 10,330 MW, which accounts for approximately 20% of the total generation capacity within Australia's National Electricity Market (**NEM**).

The consultation paper sets out the Reliability Panel's proposed rule change to adjust the market price settings. The Reliability Panel states that this is necessary to ensure that the NEM continues to provide the investment signals needed to meet the reliability standard.

With the increasing retirement of dispatchable generation, this capacity will need to be in part replaced by new dispatchable generation or storage. The key policy objective is how this can be achieved at least cost to customers. We consider the adjustments to the MPC in the energy market is the most efficient and least cost option. We therefore support the reliability panel's recommendation that the MPC needs to be gradually increased.

We note that MPC events have limited impact on customers bills if they are infrequent. The issue is when the frequency, and the duration, of these high price events increases. This will occur when there is insufficient dispatchable generation available when extreme high price events occur. The AEMC should therefore consider whether the assessment of customer bill impact appropriately captures the market dynamics under the different MPCs. As the Reliability Panel has stated, there will likely be a reliability shortfall from 2028 under the current market price settings; this therefore indicates that MPC events will be longer and more frequent under the current settings.

We consider current and future government schemes that facilitate investment in new generation and storage capacity are designed to be complimentary to the energy market for two key reasons. Firstly, to-date these schemes are designed as a safety net to reduce downside investment risk and improve the viability of the projects. Importantly, market price signals remain an integral part of whether a project can be progressed. Secondly, current schemes, such as the Capacity Investment Scheme, are designed to target specific technologies and capabilities to bring forward investment so that these types of capacity are available sooner than would otherwise have been the case.

Accordingly, it remains appropriate to maintain market price settings that incentivise capacity to enter the market, alongside complementary government schemes or policies. We consider the Reliability Panel's rule change proposal achieves this.

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

Yours sincerely,

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