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Australian Energy Market Commission

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Draft opportunity cost methodologies

AGL Energy (AGL) welcomes the opportunity to provide feedback to the Australian Energy Market Commission (AEMC) Draft opportunity cost methodologies consultation.

About AGL

Proudly Australian for more than 186 years, AGL supplies around 4.3 million energy and telecommunications customer services. AGL is committed to providing our customers simple, fair, and accessible essential services as they decarbonise and electrify the way they live, work, and move.

AGL operates Australia's largest private electricity generation portfolio within the National Electricity Market (NEM), comprising coal and gas-fired generation, renewable energy sources such as wind, hydro and solar, batteries and other firming technology, and gas production and storage assets. We are building on our history as one of Australia's leading private investors in renewable energy to now lead the business of transition to a lower emissions, affordable and smart energy future in line with the goals of our Climate Transition Action Plan.

Opportunity cost methodologies

AGL strongly supports the inclusion of opportunity costs in all compensation frameworks because otherwise participants will be compensated at a level below their short run marginal cost.¹ We therefore appreciate the careful consideration the AEMC has made for the calculation of opportunity costs for these administered price period claims. We consider the AEMC's assessment for each claim to be appropriate, however we consider the assessments of gas opportunity costs are missing a final step.

To complete a full assessment of the potential missed opportunity to supply gas into the DWGM at \$40 for these claims, the AEMC should also assess where there was an inability to supply by the participant at relevant injection points (like SWP or Culcairn). We therefore suggest that the AEMC assess the extent a participant did miss the opportunity in the DWGM in that period. For example did their offers reflect they had no more gas to supply at these points (and so have missed the opportunity to supply), or did they have additional supply available which wasn't scheduled (in this case the market has solved, and it's hard to see the opportunity for this extra gas existed).

If you have any queries about this submission, please contact me at aking6@agl.com.au.

Yours sincerely,

Anton King

Senior Manager (ag)

Wholesale Markets Regulation

¹ Please see the 1 February 2024 AGL response to the AEMC *Review into electricity compensation frameworks* consultation paper for further justification for the importance of including opportunity costs in compensation claims.