

A few
words.



11 August 2016

Neil Howes
Reliability Panel
PO Box A2449
SYDNEY SOUTH NSW 1235

Lodged Online: www.aemc.gov.au

Dear Mr Howes

Reliability Panel -Annual Market Performance Review FY2014-2015

AGL Energy Ltd (AGL) welcomes the opportunity to comment on the Reliability Panel's (the Panel) draft report of the Annual Market Performance Review of the National Electricity Market (NEM) for the financial year 2014-2015.

AGL is one of Australia's leading integrated energy companies, operating a retail business with over 3.7 million customers and a power generation portfolio of over 10,500MW, which consists of base, peaking and intermediate generation plants, spread across thermal and renewable energy sources.

AGL wholly supports the role of the Panel in reviewing the annual performance of the NEM in terms of reliability, security and safety. The report provides a useful summary of events impacting on these three measures during the relevant year. AGL is supportive of the points made in the draft report, however has the following comments that it wishes to make.

System Security and Reliability

AGL notes the Panel's conclusion that the reliability of the NEM continues to remain within the standard – and that there was no unserved energy in 2014-15. However, AGL wishes to highlight system security concerns, particularly in South Australia following the dual line outage of the Heywood Interconnector in November 2015 (an incident outside the 2014-15 reporting period) – which ultimately led to the loss of customer load as well as the initiation of a dispute resolution process to resolve ancillary services settlement.

The trip of the Heywood interconnector, coupled with the exit of large scale fossil fuel generation capacity and increased integration of renewable energy capacity in the region, is contributing to system security and reliability concerns that are set to be raised, and possibly addressed, at the forthcoming Council of Australian Governments Energy Council meeting to be held on August 19, 2016.

AGL concurs with the Panel's conclusion that the frequency problems that arose during that events last year in SA stem from the changing generation mix, that traditional synchronous generation (thermal based) provides inertia and voltage support that stabilises the system and that higher levels of non-synchronous generation such as wind in SA, there is a greater reliance on the interconnector to maintain system frequency.

AGL considers that this incident demonstrates the need for further investigation into ways to manage frequency issues in a market moving to more renewable based generation. On this point, AGL recently submitted a rule change request to the AEMC in June 2016, proposing an ancillary market for inertia services as a possible way of maintaining the frequency and therefore security of the NEM system (this is in line with the Panel's statement that, to manage system security risks, 'more inertia and voltage support may be required;'. In summary, AGL is proposing a market in which AEMO procure the inertia services on a competitive basis similar to the system restart ancillary service arrangements. AGL also welcomes the further work the AEMC is undertaking, working with the Australian Energy Market Operator, through the Wholesale Energy Market Framework Review.

Finally, AGL appreciates the work of the Panel and the AEMC regarding the reliability and security of the NEM and looks forward to engaging further on the forthcoming 2016 Planning Report.

If you have any queries about the submission or require further information, please contact Josynta Singh at or on 03 8633 6628.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Simon Camroux'.

Simon Camroux
Manager Wholesale Markets Regulation
AGL Energy Ltd