

A few
words.

Ms Lisa Nardi
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

17 June 2010

Email: lisa.nardi@aemc.gov.au

AGL

Dear Ms Nardi,

AGL Energy welcomes the opportunity to comment on the Australian Energy Market Commission's *National Electricity Amendment (Publication of a Carbon Dioxide Equivalent Intensity Index for the National Electricity Market)* consultation on draft determination, 6 May 2010.

AGL Energy (AGL) is Australia's leading renewable energy company with the largest privately owned/operated renewable portfolio. AGL is also one Australia's largest retailers of electricity with over 3 million customers in New South Wales, Victoria, South Australia and Queensland. We operate across the supply chain with investments in energy retailing, coal-fired electricity generation, gas-fired electricity generation, renewables and upstream gas extraction. The diversity of this portfolio has allowed AGL to develop a detailed understanding of the risks and opportunities presented by climate change-related policy. AGL welcomes this rule change and the anticipated benefits it will deliver to the market.

AGL supports the draft determination and emphasises the importance of a singular CO₂e Index for the National Electricity Market (NEM). This will support an open and competitive wholesale contract market that is not distorted by sub-regional characteristics. AGL considers that the CO₂e Index will contribute to liquidity in the contract market which in turn is likely to promote efficiency with respect to the operation of, and investment in electricity services. AGL considers that this rule change will assist market participants when contracting into periods where a carbon price may subsequently take effect.

In this submission, AGL comments on the rule's proposed procedures, intensity calculation and finally the risks of multiple indices.

Index Procedures

The draft rule stipulates that AEMO must develop, review and amend the CO₂e Index procedures in consultation with market participants. AGL considers that it is essential that market participants contribute to functionally robust procedures. This is likely to deliver a greater level of efficiency in the market and certainty for market participants. Importantly, once established the CO₂e Index will need to be maintained at an appropriate frequency, and be a reference point that has a strong degree of consistency in terms of its procedures for calculation.



Intensity Calculation

Under the draft rule, AEMO must publish the list of generators that contribute to the index, the intensity factor of each generator, and the source of information to support the factor. The emission factors are to be determined from publicly available information and where an emission factor for a particular generating unit cannot be sourced, the basis for estimating must be disclosed.

AGL notes that the draft rule considers that AEMO should be awarded a degree of flexibility regarding the relevant form of data required. AGL supports such provisions in the context of the rule also requiring the procedures to have regard for the National Greenhouse and Energy Reporting System. AGL previously noted that a published CO₂e Index that strays from the national system may result in a cost pass-through occurring that is not reflective of market costs (and emissions), and therefore welcomes the AEMC's drafting to address this risk.

Multiple Indices

AGL is pleased that the AEMC has recognised in its draft determination the risks of multiple indices being published, which may result in inaccurate and different data being available. This would lead to inefficiencies with respect to market participants determining the future price of electricity for the purposes of contracting.

AGL considers that the draft rule appropriately requires AEMO to publish a singular, NEM CO₂e Index, to provide consistency and minimise the risks of inaccuracy adversely impacting the contract and wholesale markets.

Conclusion

AGL supports the AEMC's proactive and timely approach to this rule change proposal. A singular CO₂e Index will increase transparency and promote liquidity in the contract market to the benefit of all market participants. Should you have any questions in relation to AGL's submission, please contact myself on (03) 8633 7152 or at skelley@agl.com.au, or Tim Nelson, Head of Economic Policy and Sustainability on (02) 9921 2516 or at tanelson@agl.com.au.

Yours sincerely,

Simon Kelley
Manager Energy Policy and Regulation

- > Being selected as a member of the Dow Jones Sustainability Index
- > Gaining accreditation under the National GreenPower Accreditation Program for AGL Green Energy®, AGL Green Living® and AGL Green Spirit
- > Being selected as a constituent of the FTSE4Good Index Series