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Dr John Tamblyn  
Chairman  
Australian Energy Market Commission  
POI Box H166  
Australia Square NSW 1215

Re: Proposed Rule change to extend the Advocacy Panel

Dear John

AGL does not support the proposal by the MCE to extend the operation of the Advocacy Panel (the Panel). The proposal does not meet the Market Objective nor is it fully consistent with the MCE policy in this area. AGL believes that the AEMC could more usefully adopt direct consultation on market issues.

The establishment of an Advocacy Panel to fund end user involvement in the National Electricity Market (NEM) was contentious. NECA and the ACCC therefore required its effectiveness to be reviewed after three years. In the event, the MCE review of advocacy has performed this function and proposes a legislated approach with markedly different characteristics. The extension of the current panel therefore seems unnecessary.

#### *Meeting the Market Objective*

AGL considers that the role of a funding body to assist in the development of capacity is limited in the NEM. It is therefore important that the AEMC satisfy itself that the extension assists in achieving the Market Objective. We believe that statements provided in the proposal indicating how the proposal assists in achieving the Market Objective ignore the weight of evidence from the operation of the current panel.

Analysis of the funded papers and application of the funds by the current Panel shows, in our opinion, little increase in capacity of end users, except to the extent that the money has funded additional staff. Long term funding of end user advocate staff was not intended in the initial Code change and is not part of the policy position of the MCE. This benefit should be ignored. AGL therefore considers that the operations of the Panel have not assisted in the operations of or investment in the NEM nor provided any benefits to customers.

In addition, the MCE states that the extension is required only until its legislated approach is in place on 1 January 2007. Since removing the current panel would take significant time and effort, the cost of the six-month extension seems unwarranted.

The proposal to extend the Panel does not, therefore, meet the market objective.

#### *An alternative approach that does not require extension of the Panel*

AGL supports the idea that end user comment is required on market developments but believes that this objective is better served by direct discussions between end user representatives and market bodies such as NEMMCO, AEMC and AER. NEMMCO already has a Participant Advisory Committee and other participant bodies to support its decision-making and improve communication.

The AEMC could set up similar forums, and fund end user attendance, to get direct information from participants and end users. The use of consultative forums by the AEMC could allow it to ensure that the group was fully informed on issues by the provision of appropriate briefings and therefore allow the AEMC to get informed user comment on issues that relate to the NEM. These arrangements could be extended as the role of the AEMC is expanded.

*Inconsistencies between the proposal and MCE policy*

The proposal to extend the panel appears inconsistent with MCE policy in that it:

- uses the AEMC to appoint members. The MCE explicitly state that the AEMC should not appoint members in the covering letter and their communique on advocacy arrangements states that the MCE will appoint the members;
- retains funding from NEMMCO. The Jurisdictions have agreed that activities of the AEMC are to be funded by the states and territories that are participants in the NEM; and
- does not automatically remove the panel when the legislative approach is implemented. The MCE will provide an alternative approach from 1 January 2007 and therefore the Panel, if retained, should automatically cease on that date.

*Summary*

AGL therefore considers that the AEMC should reject the proposal from the MCE to extend and modify the Panel and substitute a Rule change that deletes the Panel from 1 July 2006.

In the alternative, the AEMC should modify the proposal so that members are appointed by the MCE, funding is not provided by NEMMCO and the sunset date is merely extended until 1 January 2007.

If you have any queries, please contact Alex Cruickshank, Manager NEM Development on (03) 9201 7694 or by email to [acruicks@agl.com.au](mailto:acruicks@agl.com.au).

Yours sincerely,

[signed]

Jeff Dimery  
General Manager Merchant Power