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Dr John Tamblyn
Australian Energy Markets Commission

By email submissions@aemc.gov.au

Dear Dr Tamblyn

**Joint TRUenergy and AGL comments to Energy Australia's rule change
request: Compensation provisions due to the application of an administered
price, VoLL or market floor price**

Thank you for this opportunity to comment upon Energy Australia's (EA) rule change. TRUenergy and AGL support EA's rule change proposal.

We agree with EA's view that the current rule:

- creates uncertainty in the amount of compensation that the panel will pay to generators with dispatch offers above the level of the Administered Price Cap (APC);
- creates risks for market customers who fund the compensation; and
- leads to confusion in attempting to forecast new bidding incentives upon generators who no longer have the same effective contractual exposures as they had prior to the application of the APC, which, in turn, creates complexities in forecasting the operation of the APC itself, as the application of the APC is affected by inter-regional flow direction.

These complexities can be lessened-although not entirely eliminated-by clarifying exactly what compensation a generator is entitled to, and removing any suggestion of opportunity for extra-normal profits.

Suggested improvements to EA's rule change

Whilst TRUenergy and AGL support EA's rule change in its current form, we suggest some further improvements to its wording and to other parts of the clause:

- 3.14.6(e)(3)(A) after "fuel costs" we suggest adding "and opportunity value of stored energy" so that hydro water is appropriately compensated.
- 3.14.6(b) the requirement for a claimant to submit his claim within 2 business days seems oppressive given the potential complexity of determining direct costs and that the APC is likely to be applied for a continuous period of several days. We suggest increasing this time period to at least 5 business days.

- 3.14.6(e) the changes being proposed to (3) should similarly be proposed for (4), (5), (6) and (7), i.e. to market network service providers (MNSP's), dispatch bids, ancillary service generating units and ancillary service loads.
 - EA states that these can be ignored because they “are relatively small and so the materiality of compensation is commensurately lower”¹. This is not a sufficient reason for applying the rule change exclusively, and the current drafting appears biased.
 - Whilst MNSP's are less common than generators, the circumstances where they may claim, i.e. whenever VoLL or the market price floor is applied, are greater.
 - EA notes “Determination of MNSP and demand-side bidder direct costs may be more complex”². MNSP direct costs should in fact be simple to determine: they should be only the cost of settling any counter-price flows and losses. These are externally assessable from NEMMCO data.
 - Similarly, direct costs of dispatched ancillary service generating units and ancillary service loads should be all externally assessable: e.g. lost energy revenue from having been dispatched down to provide raise capability.

- 3.14.6 (e) (7) the existing paragraph has typographical errors that should be corrected: “ancillary service generating unit” and “ancillary service load” are used interchangeably. The paragraph appears to intend to only refer to “ancillary service load”, for which compensation should be provided by the application of the “administered price cap”, not the “administered price floor”.

Yours Sincerely,

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¹ EA rule change, pg 13

² Ibid, pg 13