

A few
words.



20 January 2017

Mr Peter Adams
General Manager – Wholesale Markets Branch
Australian Energy Regulator
PO Box 520
MELBOURNE VIC 3001

By email AERInquiry@aer.gov.au

Dear Peter,

Draft Decision – Rebidding and technical parameters guideline

AGL Energy (AGL) welcomes the opportunity to comment on the Australian Energy Regulator's (AER) Draft Decision Rebidding and Technical Parameters Guideline (Guideline).

AGL is one of Australia's leading integrated energy companies and the largest ASX listed owner, operator and developer of renewable generation. Our diverse power generation portfolio includes base, peaking and intermediate generation plants, spread across traditional generation fuel sources as well as renewable sources. AGL is also a significant retailer of energy, providing energy solutions to over 3.7 million customers throughout eastern Australia.

AGL stated in its previous submission that it is broadly supportive of the proposed changes to the Guideline, with some elements requiring further consideration by the AER. As such, AGL welcomes the amendments made to parts of the Guideline in response to concerns raised in industry submissions in the previous stage of consultation. That said, AGL respectfully considers that the further guidance industry sought and expected would be provided in this next iteration of the Guideline has only been partially realised.

Market ancillary services

AGL previously stated that it was concerned with the removal of the following paragraph from Section 2.3 of the Guideline:

"The AER is cognisant of the practical difficulties of ensuring that the exact technical characteristics of plant at any point in time are reflected in bids precisely. Accordingly, it is not expected that participants should constantly rebid to update minor variations in plant characteristics. However, it is expected that more significant variations would be updated quickly."

This paragraph recognised that participants should not need to rebid ancillary services because of minor variations which were considered 'normal' and are largely immaterial in terms of their market impact.

In the AER's discussion of the removal, the Draft Decision states:

"The AER does not consider it to be appropriate (or possible) to provide an exhaustive list of the circumstances when enforcement action is warranted."

AGL agrees with the AER's assertion and adds that it is not seeking that such a high degree of comfort be provided in the Guideline. Rather, AGL would like to see the Guideline retain an acknowledgment from the AER of the practicalities of certain elements of electricity market trading.

AGL considers that the removal of the paragraph in question has diminished the broader principle of understanding that previously existed, to the detriment of the Guideline as a whole.

Rebidding

Section 3 of the new Guideline contains the most significant amendments in order to reflect the "Bidding in Good Faith" Amending Rule 2015 No. 13.

AGL remains of the view that the AER's proposal to include two time stamps within the Guideline for a rebid reason is in excess of the rules and introduces unnecessary additional manual workload – significantly increasing administrative costs – and complexity to the rebidding process overall.

AGL refers to the AER's view that rule 3.8.22(3) gives it the ability to seek "such additional information to substantiate and verify the reason for a rebid as the AER may require from time to time". However, AGL contends the AER is interpreting this rule far too broadly, and that the rule in fact does not allow the imposition of additional record keeping requirements across all rebids.

AGL stresses that the costs of complying with the AER's call for two time stamps and a reordering of reporting fields are not insignificant. AGL asks that the AER reconsider its position on this aspect of the Guideline, taking into account the additional burden to be placed on market participants for little, if any, gain.

AGL welcomes the additional guidance provided in Section 3.3 of the Guideline, on the requirement to rebid as soon as practicable. In particular, AGL supports the inclusion of wording that sums up the purpose of the "Bidding in Good Faith" rule, which is to prevent or penalise delayed rebidding for the purpose of commercial gain.

AGL suggests that the AER provide further guidance on what is meant by "convenience" as the regulatory intent of this wording is unclear and does not provide sufficient guidance as to what conduct is and is not considered appropriate by the regulator.



If you have any queries about the submission or require further information, please contact Liz Gharghori at lgharghori@agl.com.au or on 03 8633 6723.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Simon Camroux', is positioned below the text 'Yours sincerely,'.

Simon Camroux
Manager Wholesale Markets Regulation