



AGL Energy Limited
ABN: 74 115 061 375
Level 24, 200 George St
Sydney NSW 2000
Locked Bag 1837
St Leonards NSW 2065
t: 02 9921 2999
f: 02 9921 2552
agl.com.au

RRO – NSW January to March 2024

Australian Energy Regulator

via email: RRO@aer.gov.au

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AGL Response to AEMO NSW 2024 Reliability Instrument Request

AGL Energy (**AGL**) welcomes the opportunity to comment on AEMO's reliability instrument request for the forecast January to March 2024 reliability gap in NSW (**the Instrument Request**).

We note the current NSW market environment has shifted since the RRO mechanism was created. With the NSW government's commitment to fund dispatchable capacity in the Emerging Energy Program in the near term and the medium-term commitment of the NSW Energy Road map and meeting the Energy Security Target, we consider the RRO would no longer be effective at addressing the forecast reliability gap for 2024 as investment decisions are now driven by the new NSW policies and targets. We therefore propose the AER consider, pursuant to section 14K(3)(a)(ii) of the National Electricity Law, if it is appropriate in the circumstances to make a reliability instrument given the above-mentioned changes in the NSW market.

With respect to AEMO's reliability forecast, given the USE marginally exceeds the Interim Reliability Measure, we consider there is a material change in the input data for the forecast availability of the Energy Connect (SA-NSW) interconnector. As noted in the ESOO this project is considered 'committed' and is therefore included in the reliability forecast. We note that the ESOO has modelled the interconnector to be in service from July 2024. However, in light of the Transgrid and Electranet Contingent Project application to the AER, and recent communication from Electranet of a revised completion date of the SA component, the project is now expected to be available by mid-2023.

Based on the 2020 ESOO assessment of the reliability impact of actionable ISP projects (see section 6 of the 2020 ESOO), we expect this revised date of completion will reduce the size of the gap by approximately 50MW. We acknowledge that with this input revision alone the reliability forecast will still likely identify a gap for this period. However, in light of AEMO's further guidance in the generation section of table 2 of the Instrument Request, we note AEMO states that an update of the generation information relative to the those assumed in the 2020 ESOO would result in a reduction in the size of the gap of approximately 50-100 MW. We therefore recommend the AER assess if an update of the generation inputs along with the revised availability of the Energy Connect interconnector could close the forecast reliability gap.

With respect to how the reliability gap is currently defined under the Instrument Request, we note the gap is defined by the relevant trading intervals between 1 January to 29 February 2024 for each weekday. As this gap does not appear to exclude public holidays that fall on a weekday, a peak swap alone for the relevant quarter will not cover the entire reliability gap period. This limits the ASX products for Retailers to base swaps and caps. However, with the introduction of 5 Minute Settlement, the relevant cap products are yet to be made available until March of next year. In effect this will mean the only MLO products initially available to the market are base swaps. This presents challenges to both retailers, in the options they may



have to contract their load, and also for MLO generators that would not otherwise exclusively offer base swaps given the type of generators used to back their financial contracts.

If you have any queries about this submission, please contact Kyle Auret on (03) 8633 6854 or KAuret@agl.com.au.

Yours sincerely,

Chris Streets

Senior Manager Wholesale Markets Regulation