



Determination of Deemed MLO groups in South Australia and Queensland

June 2020

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AER Reference: 10,694,131

Amendment Record

Version	Date	Pages
1	18 June 2020	8

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Summary

This document outlines the Australian Energy Regulator's (AER) determination in regard to adjusting the capacity and Market Liquidity Obligation (MLO) volume limits for AGL in South Australia and Stanwell and CS Energy in Queensland, for the operation of the Retailer Reliability Obligation (RRO).

The RRO Rules provide for the deeming of *MLO generators* and *MLO groups* to perform the MLO for the first two years of the RRO's operation in the event a liquidity period is triggered if the AER or the South Australia Energy Minister make a T-3 reliability instrument. The current list of the deemed generators and groups for each NEM *region* (excluding Tasmania¹) is included in the transitional rules under Rule 11.116.12. An update to the deemed *MLO generators* and *MLO groups* for the Victorian region, correcting an omission of rules regarding generators in the Energy Australia portfolio, is on the AER website.²

Under transitional Rule 11.116.12(h), the AER may determine that the registered capacity of a scheduled generating unit should be included in a *MLO group* for the purposes of determining the trading group capacity where the generator had previously not formed part of the group. This is subject to the AER being satisfied, in accordance with the interim MLO Guidelines, that the *MLO generator* forming part of the *MLO group* has dispatch control over the scheduled generating unit.

The deemed list of generators in South Australia included in the Rules does not include AGL's Barker Inlet generator, which was under construction at the time the RRO rules were finalised. AGL has also confirmed the gradual withdrawal of the Torrens A generating units in the coming years. Both of these developments affect the volume limits for AGL when performing the MLO.

In late 2019, the Queensland Government-owned generation business, CleanCo, commenced operation in Queensland. This involved the transfer of ownership of scheduled generating units from CS Energy and Stanwell to CleanCo, which affects the volume limits for CS Energy and Stanwell if the MLO is triggered in that region.

Given the recent triggering of the MLO in South Australia, combined with CleanCo commencing operation, the deemed generator list needs to be amended to reflect the current ownership structures and changes to capacity in the NEM. This determination resolves these issues by allocating the registered capacity of the generators to the relevant *MLO group* for the purposes of determining the *MLO group's trading group capacity* and subsequent volume limits.

None of the decisions in this determination result in a change to the parties performing the MLO in South Australia or Queensland.

¹ Rules 4A.G2(a) states MLO does not apply in the Tasmanian NEM region.

² AER Final determination - Deemed MLO generators in Victoria

1 Introduction

This section sets out the relevant background information to the decision on the deemed *MLO generators* and *MLO groups* in South Australia and Queensland.

1.1 The AER's role in the MLO

Under the RRO Rules, the AER is required to oversee and monitor compliance with the MLO if a liquidity period is triggered. The AER also has a role in developing the interim and final MLO guidelines, approving *MLO products* and *MLO exchanges*, and undertaking annual reviews of existing *MLO exchanges*.

The RRO Rules provide for an interim deeming period where *MLO groups* and *MLO generators*, are identified and listed in the Rules. The deeming period commenced on 1 July 2019 and continues until 30 June 2021.

The transitional rules provide the AER with the ability to make a determination during the deeming period to modify a *MLO group* by adding or removing the registered capacity of a *scheduled generating unit*.³

1.2 Reasons for making the determination

The AER has decided to issue a determination to ensure the obligation on deemed generators reflects the current ownership structures and capacity in the NEM.

³ Clauses 11.116.12(g) and (h)

2 AER determination to amend AGL's MLO group in South Australia

The AER has determined that AGL's *MLO group* in South Australia will include the Barker Inlet scheduled generating units to the *MLO group's* trading capacity, while also accounting for the announced staged withdrawal of Torrens Island A scheduled generating units.

2.1 Factors considered in the decision

In making its decision, the AER has considered Rule 11.116.12(g). The following factors informed the AER's decision:

1. The intention of the MLO deeming process was to identify obligated parties for the first two years where transitional arrangements apply. Under these arrangements, an obligated party is defined as:
 - *'scheduled market generators who belong to corporate groups ('MLO groups') that hold at least a 15 per cent share of the registered capacity of all scheduled generating units in that region'*⁴
2. The list of deemed MLO groups and MLO generators included in 11.116.12 was prepared prior to the commissioning of the Barker Inlet power station in South Australia. This will not change the parties responsible for performing the MLO in the region, though it will alter AGL's volume limits.
3. Given the RRO and MLO have been triggered in South Australia, the announced staged closure of Torrens Island A will also affect AGL's volume limits.
4. AGL was given the opportunity to comment on the proposed changes prior to the making of this determination, and raised no objections to those changes.

2.2 Determination

Given a T-3 reliability instrument has been made by the South Australian Energy Minister for periods in early 2022 and 2023⁵, and AGL's announced staged closure of Torrens Island A, AGL's total capacity and volume limits will vary between the two prescribed periods. This decision will also be applicable to any other reliability instruments made for 2022 and 2023, before the deeming period ends on 30 June 2021.

The determination will amend AGL's deemed *MLO group* in South Australia for any prescribed gap period in 2022 (as per the information in 11.116.12) and replace it with the following:

⁴ Energy Security Board, May 2019, Retailer Reliability Obligation - Final Rules Package, page 27.
http://www.coagenergycouncil.gov.au/sites/prod.energycouncil/files/publications/documents/Retailer%20Reliability%20Obligation%20-%20Cover%20Paper_1.pdf

⁵ For more information, please see the AER website; <https://www.aer.gov.au/retail-markets/retailer-reliability-obligation>

Table 1: AGL - 2022 generation units and registered capacity

MLO group	MLO generators	Scheduled generating units	Registered capacity (MW)
AGL	AGL SA Generation Pty Limited	Torrens Island Power Station A (unit 3)	120
		Torrens Island Power Station B (unit 1)	200
		Torrens Island Power Station B (unit 2)	200
		Torrens Island Power Station B (unit 3)	200
		Torrens Island Power Station B (unit 4)	200
	Greentricity Pty Ltd	Dalrymple North Battery Energy Storage System (units 1 - 12)	30
	AGL Barker Inlet Pty Ltd	Barker Inlet Power Station (units 1 - 12)	211

The volume limits for AGL's MLO group would be amended in the following way (as per the table set in section 3.5.1 of the interim MLO guidelines):

Table 2: AGL amended volume limits (for 2022)

NEM region	MLO group	Combined registered capacity (MW)	10% (MW) liquidity period*	1.25% (MW) quarterly
South Australia	AGL	1,161	116	15

*A liquidity period is eight quarters

The AER's decision amends AGL's deemed *MLO group* in South Australia for the prescribed gap period in 2023 (as per the information in 11.116.12) and replace it with the following:

Table 3: South Australia - 2023 generation units and registered capacity

MLO group	MLO generators	Scheduled generating units	Registered capacity (MW)
AGL	AGL SA Generation Pty Limited	Torrens Island Power Station B (unit 1)	200
		Torrens Island Power Station B (unit 2)	200
		Torrens Island Power Station B (unit 3)	200
		Torrens Island Power Station B (unit 4)	200
	Greentricity Pty Ltd	Darymple North Battery Energy Storage System (units 1 - 12)	30
	AGL Barker Inlet Pty Ltd	Barker Inlet Power Station (units 1 - 12)	211

The volume limits for AGL's MLO group would be amended in the following way (as per the table set in section 3.5.1 of the interim MLO guidelines):

Table 4: AGL amended volume limits (for 2023)

NEM region	MLO group	Combined registered capacity (MW)	10% (MW) liquidity period*	1.25% (MW) quarterly
South Australia	AGL	1,041	104	13

*A liquidity period is eight quarters

3 AER determination to amend the MLO groups for CS Energy and Stanwell

The AER's has determined to amend CS Energy's and Stanwell's *MLO groups* in Queensland to reflect the transfer of the following scheduled generators to CleanCo as of 31 October 2019:

- Barron Gorge Hydro Power Station (60 MW);
- Kareeya Hydro Power Station (84 MW);
- Swanbank E Power Station (385 MW); and
- Wivenhoe Pumped Storage Hydro Power Station (570 MW).

3.1 Factors considered in the decision

In making its decision, the AER has considered Rule 11.116.12(g). The following factors informed the AER's decision:

1. The intention of the MLO deeming process was to identify obligated parties for the first two years where transitional arrangement apply. Under these arrangements, an obligated party is defined as:
 - *'scheduled market generators who belong to corporate groups ('MLO groups') that hold at least a 15 per cent share of the registered capacity of all scheduled generating units in that region'*⁶
2. The list of deemed MLO groups and MLO generators included in 11.116.12 was prepared prior to CleanCo commencing operation, and therefore does not reflect the scheduled generating units transferred from CS Energy and Stanwell to CleanCo as of 31 October 2019.
3. CS Energy and Stanwell were each given the opportunity to comment on the proposed changes prior to the making of this determination, and raised no objections to those changes.

3.2 Determination

The AER's decision would amend both CS Energy's and Stanwell's deemed *MLO group* in Queensland as per the information in 11.116.12 in the event a T-3 reliability instrument is made and replace it with the following:

⁶ Energy Security Board, May 2019, Retailer Reliability Obligation - Final Rules Package, page 27.
http://www.coagenergycouncil.gov.au/sites/prod.energycouncil/files/publications/documents/Retailer%20Reliability%20Obligation%20-%20Cover%20Paper_1.pdf

Table 5: Queensland MLO groups

MLO group	MLO generators	Scheduled generating units	Registered capacity (MW)
CS Energy	Callide Power Trading Pty Limited	Callide C Nett Off (unit 4)	420
		CS Energy Limited	Callide Power Station (unit 1)
		Callide Power Station (unit 2)	350
		Gladstone Power Station (unit 1)	280
		Gladstone Power Station (unit 2)	280
		Gladstone Power Station (unit 3)	280
		Gladstone Power Station (unit 4)	280
		Gladstone Power Station (unit 5)	280
		Gladstone Power Station (unit 6)	280
		Kogan Creek Power Station (unit 1)	744
Stanwell	Stanwell Corporation Limited	Mackay Gas Turbine (unit 1)	30
		Stanwell Power Station (unit 1)	365
		Stanwell Power Station (unit 2)	365
		Stanwell Power Station (unit 3)	365
		Stanwell Power Station (unit 4)	365
		Tarong North Power Station (unit 1)	443
		Tarong Power Station (unit 1)	350
		Tarong Power Station (unit 2)	350
		Tarong Power Station (unit 3)	350
		Tarong Power Station (unit 4)	350

The volume limits for the CS Energy and Stanwell MLO groups would be amended in the following way (as per the table set in section 3.5.1 of the interim MLO guidelines):

Table 6: Amended volume limits - Queensland MLO groups

NEM region	MLO group	Combined registered capacity (MW)	10% (MW) liquidity period*	1.25% (MW) quarterly
Queensland	CS Energy	3,544	354	44
	Stanwell	3,333	333	42

*A liquidity period is eight quarters