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Submission to the Converting the Integrated System Plan into Action: Consultation Paper

AGL Energy Limited (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 thermal generation as well as renewable sources. AGL is also a significant retailer of energy and provides energy solutions to over 3.6 million customers in New South Wales, Victoria, Queensland, Western Australia, and South Australia. In addition, we continue to be an aggregator and developer of Demand Response (DR) and Distributed Energy Resource (DERs) solutions including the deployment of Virtual Power Plants (VPPs).

AGL welcomes the opportunity to comment on the Energy Security Board's (ESB) Consultation on its approach to Converting the Integrated System Plan (ISP) into Action (the **Consultation Paper**). We understand the purpose of this Consultation Paper is to set out the proposed governance framework, supporting documentation and processes necessary to embed the ISP into the National Electricity Rules (NER).

AGL recognises the importance of the ISP governance framework as a necessary means of guiding the development of the ISP as a long-term whole-of-grid planning tool. We broadly support the ESB's proposal across the range of governance issues covered, including the development of the two proposed Guidelines. While AGL believes that a publication time period of at least every two-year is suitable and enables TNSP continuity in their planning processes, the key milestone and publication dates should be drafted into the NER to provide market participants with certainty. Further consideration should also be given to building an optional annual (shortened) ISP report into the NER, to assist in demonstrating any significant changing trends in AEMO's forecasts. The yearly ISP 'snapshot' could, for example, signal to market where new generation or loads are emerging or likely to emerge, or to signify changes in demand profiles.

In our assessment, we have identified a range of issues which we believe are important but not reflected in the Consultation Paper. AGL encourages the ESB to address these prior to its final report:

- *No regulatory safeguards to hold AEMO's ISP to account and protect consumers.* Specifically, we note that the Consultation Paper does not outline a governance step to test and/or verify AEMO's methodology and findings/recommendations or approve the ISP as a credible long-term planning document. While we recognise that stakeholder consultation would be conducted by AEMO throughout the development of an ISP report, this would be limited to a defined ISP decision point (i.e. testing of methodology or draft report etc.) and is not on the final ISP report. In our view, noting the long term significance that the ISP will have on future transmission investments, an additional

level of consumer protection is necessary to confirm the accuracy of the details (and direction of transmission investment) presented by the ISP. AGL believes this safeguard could comprise a two step mechanic:

1. A 'panel of experts', similar to the Reliability Panel, could be set up to scrutinise and approve a final ISP report, in accordance with the AER Guidelines (on best practice forecasting). Membership of this group could comprise a range of industry, government, and consumer representatives, and the AER.
 2. Additional and targeted consultations could be built into the governance framework to seek consumer group endorsement at key stages of the ISP development process. This would ensure that the ISP remains focused on developing whole-of-grid pathways which are both cost and system efficient. A TNSP could then take an identified project through the RIT-T mechanism, where it believed the benefits outweighed the costs of the investment.
- Rationale for additional AEMO flexibility is unclear. Specifically, we note the Consultation Paper indicates that the Cost Benefit Analysis Guideline should allow AEMO flexibility to assess non-market issues/inputs, even though these could be subjective or variable in nature. For example, the consideration of "public policies instructed by NEM Jurisdictions" may be short sighted, lasting only the term of a Government or a change of policy due to a change of circumstances. Again, noting the long term horizon of the ISP, coupled with its periodic publication, it is likely that the relevancy of these inputs are quickly outdated, inaccurate or irrelevant. Instead, AGL considers that any flexibilities provided to AEMO and TNSPs in the Australian Energy Regulator (AER) Guidelines, should be open to stakeholder consultation, and the decisions to provide these (or not) should be justified in a public report.
 - The proposed Guidelines erode the independence of the AER – As the developer and enforcer of the two proposed Guidelines, the AER should be empowered to produce these documents (including by revising their existing Guidelines, if relevant) without interference from other regulatory bodies, including the ESB. We therefore recommend that the AER be allowed to manage their own process, and that the proposed ESB Guidelines (drafted in italics in the Consultation Paper) be removed.
 - Disputes Resolution mechanism unlikely to work in practice – AGL supports the policy intent behind the proposed disputes mechanism, which we understand would apply throughout the ISP development process. However, we are concerned that while stakeholder would have an ability to raise a dispute¹, in practice we do not believe the dispute could be resolved satisfactorily. Specifically, an industry participant's dispute with the ISP at a key decision point will hinge on the ability to access the underlying data/information/methodology used by AEMO. However, it is unlikely that AEMO would publish these parameters and their calculations publicly until after the

¹ Relating to the accuracy of the information or the methodology used to prepare the ISP, and the discrepancy is likely to have a significant effect on ISP outcomes.



final ISP has been published. Therefore, the mechanism would only allow 'procedural' disputes to be raised and resolved in practice.

AGL encourages the ESB to review its disputes mechanism to ensure it is fit for purpose and allows issues of substance to be impugned. We suggest designing it such that the underpinning assumptions/inputs at an ISP key decision point can be suitably challenged. To ensure this process is not abused or used to unnecessarily derail an ISP process, the ESB could consider limiting its access to Industry Associations or disputes with support from multiple industry stakeholders.

Where AEMO receives a dispute, it should consult with industry and publish a statement on its website justifying its final position. A similar process could then be implemented by the AER under its escalated disputes resolution mechanism.

If you have any queries about this submission, please contact Dan Mascarenhas on (03) 8633 7880 or DMascare@agl.com.au.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Elizabeth Molyneux'.

Elizabeth Molyneux

General Manager Energy Markets Regulation