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Dear Kevin

### **AGL Energy Limited**

#### **AEMO Gas Fee Structures consultation paper**

AGL Energy (AGL) welcomes the opportunity to comment on the Australian Energy Market Operator (AEMO) Gas Fee Structures consultation paper.

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.

#### **Gas fee structure term**

AGL agrees with AEMO's proposal to retain the existing three-year term, however we suggest that AEMO could review the period prior to the end of the period and consider an extension to five years at that time.

#### **Registration fees**

AGL suggests that AEMO retain the existing registration fee structure since it is simple and known by market participants, we do not consider the small cost of registration fees in gas markets relative to operating costs justifies further complexity or review at this stage.

#### **PCT fees – disaggregation into component services**

AGL suggests that Pipeline Capacity Trading (PCT) fees may be better allocated through charging a licence fee per participant to manage the gas trading software and then a flat fee for each other trading fee. We question whether charging fees based on \$/GJ (i.e. capacity) are appropriate given the service provided by AEMO is in managing the trade, as opposed to the quantity of the trade. For example, a 1PJ trade would cost as much to manage as a 1 GJ trade. This accords with the practice in retail markets where retailers are charged per MIRN/NMI in the allocation of costs for managing the processing, systems, and data storage requirements.



### PCT fees – recovery via other markets

AGL notes that the PCT trades can also be used by shippers for activities outside the deliveries to the Short Term Trading Market (STTM), and therefore it is not appropriate to recover from markets such as the STTM.

AGL suggest that making the PCT easy and cost efficient will strengthen the various shipping activities which will eventually flow on to the STTM, but it is not necessarily the same participants who benefit or pay for that trade.

### GSOO fees – application to participants

AGL suggests that the current approach of allocating the cost of producing the GSOO to retailers across the retail gas market jurisdictions should be broadened to all registered gas market participants in the supply chain (producers, pipeline operators, users, retailers) since all participants benefit from the GSOO. This would include allocating costs to registered Gas Bulletin Board (GGB) participants. We consider that this change would improve cost-reflectivity and non-discrimination as AEMO has noted.

### Retail market fees – aggregation

AGL agrees with the suggestion that a consolidated retail market gas fee, which is uniform across jurisdictions, would result in efficiencies for retailers. We note that it could also benefit market participants by reducing the cost of participation in markets where a retailer has less customers, which may facilitate retail competition. We are aware that standardising the fees may be considered as a cross subsidisation (noting the Logica and AEMO systems), however we believe that the efficiency benefits from standardisation outweigh this concern, and this would potentially reduce the barriers to entry between the various retail gas markets.

### Other gas fee structure issues

As AEMO operates a control room in the Victorian declared wholesale gas market (DWGM), AGL understands that DWGM fees may not be consistent with other markets. However, for the Brisbane, Sydney, and Adelaide STTMs AGL would expect the fees to be set consistently in each market. For example, the fees related to the operation of a service in the Brisbane STTM should be no different to the operation of the same service in the Sydney STTM, unless a substantive difference could be identified.

If you have any questions about this submission, please contact Anton King at [aking6@agl.com.au](mailto:aking6@agl.com.au) or on 03 8633 6102.

Yours sincerely,

**Chris Streets**

Senior Manager Wholesale Markets Regulation