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Australian Energy Market Operator

NEM Reform Program

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### **VSR Incentive Mechanism Procedure – Consultation Paper**

AGL Energy (**AGL**) welcomes the opportunity to provide responses to the questions posed by the Australian Energy Market Operator (**AEMO**) in response to the abovementioned Consultation Paper.

AGL is making a significant investment in flexibility and has been making strong progress against our grid-scale battery and distributed energy resources (DER) targets. As of FY24 AGL had 1.25 GW of decentralised assets under orchestration, with a FY27 target of 1.6 GW. Most of these assets are installed behind the connection point, and include residential batteries and solar, as well as flexible loads and backup generation systems at commercial and industrial customer sites. AGL is also a market leader in the development of innovative products and services that enable our customers to make informed decision on how and when to use their consumer energy resource (CER) assets to optimise their energy load profile and better manage their energy costs.

AGL supports the intent of the Integrating Price Responsive Resource (IPRR) Rule and welcomes AEMO's open consultation process to date. AGL also supports the objective of the Voluntary Schedule Resources Incentive Mechanism (VIM) and its role in building long-term industry capability to participate in dispatch mode. AGL welcomes AEMO's intent to release draft technical specifications as early as possible with monthly updates, and notes access to the final specifications is essential to inform prospective bidding into the VIM.

AGL would welcome further information on AEMO's pre-tender market engagement process, as the consultation paper does not specify the timing and form of this engagement. AGL also notes the consultation paper specifies that AEMO may seek to procure specific capabilities as part of its tender process. AGL would welcome AEMO's guidance on whether there is a class of unscheduled price-responsive resources that would ideally be captured in the initial years of dispatch mode and the opportunity to discuss whether the requirements of dispatch mode can be feasibly met by these technologies in the short-term.

AGL looks forward to continuing to engage with AEMO on the implementation of this Rule. Appendix A includes responses to select consultation questions. If you have any queries about this submission, please contact Andrea Espinosa on 0422 165 705 or [aespinosa2@agl.com.au](mailto:aespinosa2@agl.com.au).

Yours sincerely,

Kyle Auret

Senior Manager Policy and Market Regulation



## Appendix A – Response to consultation questions

Question	Answer
1. Do you agree with AEMO's initial approach to conducting the VIM tenders?	Based on the information available, AGL agrees with the proposed approach. AGL would welcome the opportunity to engage in AEMO's pre-tender market engagement and further clarity on the process.
2. Based on the proposed timeline, is there enough time from the publication of the final VIM procedure to the date of the first tender for your business to prepare? 3. If not, please explain why?	AGL is broadly supportive of the proposed timeline, but notes that access to the technical specifications will be critical to prepare for the tender. AGL supports AEMO's intent to release draft specifications as early as possible but notes the current timelines indicate that the final specifications will only be released a few months ahead of the tender commencement. This would constrain industry's ability to prepare its bids, regardless of the publication of the VIM procedure.
4. Is there enough time from the completion of the tender, for your business to prepare to participate in dispatch? 5. If not, please explain why?	<p>AGL is broadly supportive of the proposed timeline, but notes the following considerations:</p> <ul style="list-style-type: none"> <li> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> </li> <li>Market uncertainty: Unanticipated market changes could occur within the 6 – 9 month window, and during the lifecycle of the project itself, affecting the participation price (\$/MW) in the bids. AGL encourages AEMO to consider means to enable bidders to account for these uncertainties as part of the tender process.</li> </ul>
6. Do you agree that AEMO will achieve the VSR incentive objective and VSR incentive principles in its proposed VIM procedure? 7. If not, please explain why?	AGL does not have enough information to determine this. However, AGL supports the objective and principles of the VIM.



Question	Answer
<p>8. Do you agree that AEMO has captured the key clauses in this table?</p> <p>9. If not, please explain why?</p> <p>10. Do you have any comments to specific clauses?</p>	<p>AGL is broadly supportive of the proposed clauses in the high-level procedure, but flags the following considerations:</p> <ul style="list-style-type: none"> <li>• Clause 15 – Tenderers / AEMO should be able to nominate multiple Contact Persons, or allow Contact Persons to delegate their authority, to account for staff changes and availability.</li> <li>• Clause 32 – Voluntary Scheduled Resources (VSRs) comprised of aggregated CER will need to comply with the VSR guideline requirements / NER obligations while accounting for customer churn. If AEMO seeks to incentivise participation from these resources, then its compliance requirements should be supported by fit-for-purpose technology systems that enable easy registration / deregistration of NMIs.</li> <li>• Clause 34 – AEMO could consider reporting on the methodology utilised to set the price cap (even if the price cap is not public), how the prices paid under VSR participation agreements compared against the price cap (in aggregate), and outline whether AEMO will be seeking to make changes to its methodology for future tenders.</li> <li>• Clause 41 – While AGL recognises AEMO could be required to allocate external funding to specific technology types, technology neutral tenders would lead to higher and more cost-effective uptake of dispatch mode in early years. If AEMO / external parties sought to incentivise the participation of certain technologies, this would ideally be accompanied by industry engagement to ensure the VSR guidelines and technical specifications effectively enable participation from these resources in dispatch mode.</li> </ul>