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10 March 2017

Jack Fitcher
Australian Energy Market Operator Limited
GPO Box 2008
MELBOURNE VIC 3001

By email to jack.fitcher@aemo.com.au

Dear Mr Fitcher

AEMO Draft Report on the Structure of Electricity Participant Fees

AGL Energy Limited (**AGL**) welcomes the opportunity to respond to the Australian Energy Market Operator's (AEMO's) Draft Report and Draft Determination on the Structure of Participant Fees in AEMO's Electricity Full Retail Competition Market to consider the impact associated with Power of Choice (POC) projects.

AGL is Australia's largest integrated energy company, operating across the supply chain with investments in coal-fired, gas-fired, and renewable electricity generation and is a significant retailer of energy, providing energy solutions to over 3.7 million customer accounts in the National Electricity Market. AGL is Australia's largest ASX listed owner, operator and developer of renewable generation.

We have reviewed the Draft Report and support AEMO's draft decisions to continue to levy 100% of fees on Market Customers (retailers), and change the FRC fee methodology to a per connection point basis. This methodology for cost recovery is the most appropriate approach as it best reflects the flow of FRC benefits and aligns with the approach in the gas market. AGL is also broadly supportive of commencing this cost recovery mechanism from 1 July 2019 using the connection point basis.

AGL maintains that a user pays approach should be implemented to deliver on the intent of the Power of Choice reforms and its principle of competition neutrality. While we acknowledge AEMO's position that current levels of B2B transactions by third party users is low, the frequency is expected to trend upwards from 1 December 2017. As such we support AEMO setting an appropriate percentage based trigger level as the basis for reviewing transaction fees. AGL considers that applying this review, where 25 percent of all B2B transactions can be attributable to third party users, seems reasonable.

Should you have any questions in relation to this submission, please contact Dan Mascarenhas on 03 8633 7874 or at DMascare@agl.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'C. Hristodoulidis', written over a horizontal line.

Con Hristodoulidis
Manager – Regulatory Strategy