

A few  
words.

Mr Nathan White  
Australian Energy Market Operator  
Level 22, 530 Collins Street  
Melbourne VIC 3000

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Submitted via email to [CauserPaysConsultation@aemo.com.au](mailto:CauserPaysConsultation@aemo.com.au)



Dear Mr White,

### **Causer Pays Procedure Consultation Issues Paper**

AGL welcomes the opportunity to comment on the Australian Energy Market Operator's (AEMO) Issues Paper on the Causer Pays Procedure Consultation (Issues Paper).

AGL is one of Australia's leading integrated energy companies and 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 generation fuel sources as well as renewable sources. AGL is also a significant retailer of energy, providing energy solutions to over 3.7 million customers throughout eastern Australia.

The views in this submission reflect AGL's considerable market experience.

Overall, AGL is supportive of AEMO's preferred options identified in the Issues Paper. Specifically, AGL supports AEMO's preference to calculate local causer pays factors only on the basis of units within the local requirement. AGL considers that this option will more accurately reflect the contribution of units to local frequency deviations.

However, AGL does not support AEMO's proposal to reduce the sample and application period for causer pays factors from 28 days to 7 days. AGL considers that the potential benefit of this reduction, that factors would adapt more quickly to reflect changing operating patterns over time, will be outweighed by associated negative effects. From AGL's perspective, the 28-day sample and application period used for causer pays factors ensures that there is sufficient, robust, reliable data set to provide a representative sample. It is unclear to AGL that a 7-day sample would consistently produce enough reliable data to calculate a causer pays factor.

In the Issues Paper, AEMO proposes that for sample periods where less than 20% of dispatch intervals in the same period are viable, then the previous set of good causer pays factors should apply. AGL contends that the need for this process is indicative of the risks of reducing the sample period. Using old data to generate a causer pays factor defeats the intended purpose for which a smaller sample period was designed. AGL considers that the lack of timeliness associated with a 28-day sample period is compensated by the certainty of sufficient reliable data to calculate a representative causer pays factor.

Other drawbacks of the proposed 7-day sample and application period, as acknowledged by AEMO, include an increase in causer pays factor volatility and the risk that participants will alter their behaviour in order to achieve an improved factor over a period of forecast high Frequency Central Ancillary Services (FCAS) prices. The proposed change to a 7-day sample and application period would also incur costs due to changes required to AEMO and participant processes.



AGL considers that retaining the 28-day sample period is the option that ensures a more representative causer pays factor, incentivises good participant behaviour, and does not require changes to existing processes.

AGL notes that AEMO has also released a Draft Report and Determination on the Causer Pays Procedure – Factors for Asynchronous Operation Consultation. Noting the overlap between the two consultation processes, and AGL’s preferences above, AGL supports Option 3, which proposes using historical performance factors for appropriately metered facilities within the asynchronous region(s) only. AGL considers that this option would appropriately, and reasonably, allocate the costs amongst relevant generation assets for the period of time in which the region was operating asynchronously.

If you have any queries about the submission or require further information, please contact Brigid Richmond at [brichmond@agl.com.au](mailto:brichmond@agl.com.au) or on 03 8633 6631.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Simon Camroux'.

Simon Camroux  
Manager Wholesale Markets Regulation