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2024-25 Victorian Default Offer: Request for Comment

AGL welcomes this opportunity to provide comment on the Australian Energy Regulator's (AER) consultation on the Default Market Offer regarding the Net System Load Profile (NSLP) approach (Consultation Paper).

AGL operates nationally across the energy supply chain and delivers 4.3 million gas, electricity, and telecommunications services to our residential, small and large business, and wholesale customers across Australia. We also operate Australia's largest electricity generation portfolio, with a generation capacity of over 11,000 MW, accounting for approximately 20% of the total generation in the National Electricity Market.

As set out in the consultation paper, following commencement of Five Minute Settlement (5MS), AEMO implemented a temporary adjustment to settlement volumes to avoid unnecessary shocks in market customer settlements. The interim adjustment resulted in a material change in the shape of the SAPN and Energex NSLP. Whilst AEMO commenced implementing an enduring solution from October 2023, AGL notes that an adjustment to the 15/30 min load profiling as the second phase of changes is scheduled to be implemented in October 2024.

When determining the DMO price, a key input for the representative retailer's wholesale energy cost is the customer load, including the shape of that load. Until this issue was identified, the DMO methodology has previously used the past three years of actual NSLP data to generate multiple representations of the load profile for the given determination year.

We remain strongly of the view that a representative retailer's load is a combination of accumulation (NSLP) and interval meter customers. A profile using all of these meter types is therefore a more accurate reflection of a representative retailers load shape. We consider this issue is fundamental to the DMO price.

We note however that this consultation relates specifically to the 5MS adjustment of the NSLP profile, which the Consultation Paper observes must be addressed regardless of the AER's determination regarding blending interval meter data.

Options in Consultation Paper

The Consultation Paper sets out three options to address the issue resulting from AEMO's temporary adjustment of the NSLP data for SAPN and Energex, for DMO 6. As set out below, we consider Option 2 is the most reasonable option given the adjustment broadly returns the NSLP to a realistic shape during these periods and will most likely be observed during the DMO 6 pricing period.

A key objective of the DMO methodology is to determine a reasonable representation of a retailer's customer load profile for the forecast period. The interim adjustment of the NSLP from Oct 2021 to Oct 2023 resulted in a load shape that further departed from the reality of a retailer's customer load. Whilst we support the importance of transparency in the DMO process, the publicly available data (Option 1) is not a reasonable reflection of a retailer's load shape for accumulation meter customers. Consequently, use of that data would undermine the objective of the DMO. As noted in the consultation paper, the load shape is materially different when compared both before the adjustment and after a permanent solution was implemented. This demonstrates that Option 1 is not a reasonable reflection of a retailer's forecast load for accumulation meters in the DMO 6 period.

We support the AER's conclusion that the continued use of NSLP data from DMO 4 and 5 is not an appropriate option, especially in an environment where the number of accumulation meters are rapidly dwindling. Importantly this option will not enable the AER to blend interval meter data with the NSLP data set. As noted above, we consider the integration of interval meter data is necessary to appropriately reflect a material, and growing, segment of customers in the market.

We support the AER's proposal to undertake a manual adjustment of the NSLP data (Option 2). Broadly this approach is prudent given it largely corrects the data set to a shape that reasonably reflects forecast accumulation meter consumption profiles. Whilst the AER has identified concerns with transparency of the data set when compared to option 1, this can be addressed through the publication of the adjusted data set along with the adjustment calculations applied to the data. Presumably in this case two of the previous three years NSLP data sets.

The consultation paper also seeks submissions on the method that best represents actual costs. Wholesale costs for the DMO should be based on a load shape that is at least broadly representative of the load shape likely to be faced by those retailers in that period. Customers with interval meters now represent a material component of retailers' customer load. We consider the best approach to is to blend the adjusted NSLP data set (as proposed in Option 2) with interval meter data to reflect the mix of customers that retailers have in reality.

If you have any questions in relation to this submission, please contact Kyle Auret on kauret@agl.com.au.

Yours sincerely,

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