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14 July 2022

Dear Paul,

Long-term Energy Service Agreement draft terms sheets

AGL Energy (AGL) welcomes the opportunity to comment on the Long-term Energy Service Agreement (LTESA) draft term sheets for generation and long duration storage.

About AGL

AGL is a leading integrated essential service provider, with a proud 184-year history of innovation and a passionate belief in progress – human and technological. We deliver 4.2 million gas, electricity, and telecommunications services to our residential, small and large business, and wholesale customers across Australia. We operate Australia's largest electricity generation portfolio, with an operated generation capacity of 11,208 MW, which accounts for approximately 20% of the total generation capacity within Australia's National Electricity Market.

Generation LTESA

Please consider the following suggestions to the referenced items of the draft Generation LTESA draft term sheet.

Item #	Suggestion
2	A right to terminate the agreement without liability if key milestones of the project are not met should be included.
8 (c)	The Peak Months period should end 31 March, not 30 March.
8 (d)	Three years notice is too long and inflexible given the pace of the energy transition.
12 (b)	Add a new clause 12 (b) (iii) AEMO directions. i.e. Deemed generation should also occur in the event AEMO issues directions.
13	A delay in AEMO commissioning and testing, registration or connection should also be included as a Project Force Majeure Event (PFME).
13 (d) (i) (c)	Timing should be no later than 5 Business Days after the Scheme Financial Vehicle (SFV) became aware of the PFME, not 5 Business Days after the commencement of the PFME.
18 (b) (ii)	Cost pass through should be 50% of the SFVs share on the contract, not '50% of the net impact'.
21	A prolonged force majeure event should be grounds for termination.
26	A partial credit guarantee should be included to facilitate project finance.
42	This clause should be redrafted as it is ambiguous.
43	Timing of when invoices are issued and payment is due, and identity of payer and payee, should be specified.
43	Floating Price definition should be subject to floor RRP \$0/MWh as per item 44.



45	This clause is not clear. Please clarify the counterfactual of not electing to make a Physical Delivery Election.
46	Any entitlement to Black Products should be offset by the additional cost of providing those products.
47	Any entitlement to Green Products should be offset by the additional cost of providing those products.

Long duration storage LTESA

While the commercial principal in the generation LTESA is straight forward (the government enters into a swap for a fixed price), the commercial principal for the long duration storage LTESA is unclear. We suggest it should be defined in plain English in a note (or elsewhere in the term sheet) to ensure the intent of bidders for LTESAs and the NSW government are aligned. We note that the outcome in the event that earnings exceed the net revenue threshold is particularly unclear.

The net revenue threshold is designed to represent the rate of return a bidder is seeking under the LTESA, and therefore also the key assessment criteria for AEMO Services in distinguishing between bidders. However, if earnings above the net revenue threshold are retained by the scheme financial vehicle, this may provide an incentive for bidders to set as high a threshold as possible. While, if the annuity cap is lower than the net revenue threshold, the cap will be the effective rate of return. For these reasons we consider the interaction between the annuity payment stream, the net revenue threshold, and the annuity cap and their impact on the assessment of different bids should be clarified in the term sheet.

Please also consider the following suggestions to the referenced items of the draft long duration storage LTESA draft term sheet.

Item #	Suggestion
19 (a) (ii)	Clarify the meaning of Historical Net Payments as it is currently unclear.
26	TUOS Claims should be available for the LTES Operator throughout the life of the project (i.e. whenever TUOS is enforced on the project owner) rather than just as a one-off adjustment. Otherwise, this clause undermines the revenue certainty provided by the LTESA.
27	The terms regarding planned maintenance are unclear. While it is clear that planned maintenance above the agreed planned maintenance cap is deemed as hours the project is available, it is not clear whether the planned maintenance under the cap is deemed as hours the project is available.
27	The availability regime should specifically account for the natural degradation of batteries, so that in later years when the capacity of a battery declines, the availability should be measured as % of the capacity available in that year after accounting for battery degradation.
31 (a) (ii)	LTES Operator consent should be required for disposal to a non-government entity.

If you have any queries about this submission, please contact Anton King on (03) 8633 6102 or aking6@agl.com.au.

Yours sincerely,

Chris Streets

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