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Energy Transition Projects
Department of Environment, Land, Water and Planning
Victorian Government

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Market Facilitation Platform Consultation Paper

AGL Energy (**AGL**) welcomes the opportunity to respond to the Victorian Government Department of Environment, Land, Water and Planning's (**DELWP**) Market Facilitation Platform Consultation Paper, October 2021 (**Consultation Paper**).

AGL is one of Australia's leading integrated energy companies and one of the largest ASX listed owner, operator, and developer of renewable generation. AGL is a significant retailer of energy and telecommunications with 4.5 million customer accounts and is one of Australia's largest commercial solar providers. AGL is a market leader in the development of innovative orchestration services that enable consumers to make informed decisions on how and when to use their distributed energy resource (**DER**) assets to optimise their energy load profile, better manage their energy costs and be rewarded for providing wider market and network services. Our current DER product and service offerings include our Virtual Power Plant¹, Peak Energy Rewards², our retail offer for electric vehicle owners³ and our recently launched solar orchestration offer, Solar Grid Saver.⁴

AGL's position

AGL supports the Victorian Government's strategic objective to help deliver more competitive electricity prices for business and stimulate a more stable pipeline of new energy projects in Victoria, as part of its broader suite of policies and programs that aim to support the energy transition.

We welcome the Victorian Government's investigation into the Power Purchase Agreement (**PPA**) market and the feasibility of a Market Facilitation Platform (**MFP**), or other measures, to contribute towards these policy objectives.

We note DEWLP's analysis that identifies a range of barriers commercial and industrial (**C&I**) electricity users face in entering wholesale and retail PPAs. AGL appreciates that these barriers are more pronounced for small-to-medium sized C&I businesses, and we see value in seeking to develop cost-effective approaches to better facilitate access to PPAs for the small-to-medium sized C&I market segment.

¹ For further information regarding AGL's Virtual Power Plant, please refer to https://www.agl.com.au/solar-renewables/solarenergy/bring-your-own-battery?cde=semr&qclid=EAlaIqobChMlicjKmKuP5wIVyiUrCh2eXwvVEAAYASAAEgLRPD_BwE&qclsrc=aw.ds.

² See further, AGL Peak Energy Rewards, available at [Peak Energy Rewards \(agl.com.au\)](https://www.agl.com.au/peak-energy-rewards).

³ See further, AGL EV Plan, available at <https://www.agl.com.au/electric-vehicles>.

⁴ See further, AGL Solar Grid Saver, available at <https://discover.agl.com.au/solar/helping-to-maximise-your-solar-savings/>.



We do not consider there is a well-established need to facilitate access to PPA for larger C&I electricity users. We note that the broader market for PPAs entails a high degree of contractual variability that depends upon C&I electricity users' individual load profile, risk appetite and strategic outlook. As the Consultation Paper observes, PPA arrangements may be sensitive to market price signals and contemplate environmental attributes (such as large-scale generation certificate PPAs) and/or physical or onsite supply. While this market variability presents a fair degree of complexity, we consider that larger C&I electricity users are well placed to navigate the competitive retail energy market and negotiate bespoke PPA arrangements that meet their individual business and sustainability needs.

We also do not consider there is an ideal contract term for PPAs, as the structure and duration of these arrangements depends upon the individual business needs.

However, one key consideration is that PPAs entered with developers or generators are generally derivatives and need to align with disclosure and licencing requirements around financial products under the *Corporations Act 2001*. Entry into such financial products generally requires that either the customer obtain an Australian financial services licence (**AFSL**) or use the services of someone who holds an AFSL to act as an intermediary. This is one aspect that adds complexity and compliance costs to a PPA transaction.

Recommendations

AGL believes that the Victorian government should only develop and operate a MFP if they identify a failure in the market to deliver such a solution and there is a genuine demand for such a service. It is critical that consumer demand for access to PPAs by the small-to-medium sized C&I market segment drives the development of such platforms, and there is only a need for government involvement if the market does not provide a platform in response to this demand.

To this end, we believe DEWLP should consider the following:

1. The extent to which existing market-based renewable electricity platforms or facilitation services already provide relevant service to facilitate access to PPAs for the small-to-medium sized C&I market segment. We note that this existing service market is in its infancy and there is substantial growth potential in response to market demand, as we have seen with the market for retail electricity third party comparators. The recently legislated energy Consumer Data Right regime could also assist brokers in scaling their business model by accessing real-time data from the customer base. Rather than building its own MFP, AGL considers there might be a short-term opportunity for the Victorian Government to support these new providers as the market scales.
2. A formal cost benefit analysis should inform the feasibility of a MFP, that considers, among other things:
 - a) Whether a MFP or other government measures would complement existing renewable electricity platforms or facilitation services. and what value it would provide over and above what the private market can deliver. The heterogeneous nature of SME energy users, and the complexity of the PPA market, means that these businesses may still require tailored advice on how to best structure a PPA that suits their needs. While a platform providing information on different PPAs may be a first step for these businesses, we are not confident it can fully resolve the barriers associated with access to PPAs. Many PPA providers may be reluctant to provide commercially sensitive information on a government platform, such as price. Without this information, the MFP may be a useful starting point but would not provide a complete solution. DEWLP could also consider providing assistance, through grants or services, to SME to seek the tailored energy

advice to assist them assess the different options in the market and assist them to access renewable energy supply.

- b) The extent to which PPAs can be effectively compared and on what metrics to ensure like-for-like comparison to support business decision-making. As we observed above, the PPA market is characterised by a high degree of contractual variability that depends upon C&I electricity users' individual load profile, risk appetite, and strategic and sustainability outlook. While price will be a key consideration, it will not provide a complete comparison given the bespoke nature of PPAs. Moreover, if the MFP were intended to publish standardised minimum terms and conditions, this could reduce the optionality available to C&I customers in PPA arrangements. A well-functioning and scaled competitive market will deliver PPAs terms, conditions and pricing that are bespoke and fit for purpose to individual customers.
- c) The opportunity to scale alternative measures to support access to PPA arrangements, for example through market-based aggregation services or the financial intermediary model that is referred to in the Consultation Paper. We note that aggregation is already utilised for multi-site customers in the retail electricity market. We would be happy to discuss further with DEWLP the application of this retail approach to the PPA market.

Should you have any questions in relation to this submission, please contact Kurt Winter, Regulatory Strategy Manager, on 03 8633 7204 or KWinter@agl.com.au.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Elizabeth Molyneux'.

Elizabeth Molyneux

GM Policy and Markets Regulation