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**Mr John Pierce AO**

**Chair**

**Australian Energy Market Commission**

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**Lodged electronically via website**

**16 January 2020**

**Submission to the Transmission Loss Factors rule change: Draft Determination and Draft Rule**

AGL Energy Limited (AGL) is one of Australia's leading integrated energy companies and the 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 thermal generation as well as renewable sources. AGL is also a significant retailer of energy and provides energy solutions to over 3.6 million customers across the National Electricity Market and Western Australia. In addition, we continue to be an aggregator and developer of Demand Response (DR) and Distributed Energy Resource (DERs) solutions including the deployment of Virtual Power Plants (VPPs).

AGL welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC) Draft Determination and Draft Rule on the Transmission Loss Factors (TLF) rule change. We understand the rule change proposal sought two material changes to the current TLF framework. Specifically, these were a move from the existing Marginal Loss Factor (MLF) methodology to an Average Loss Factor (ALFs) methodology, and a redistribution of the inter-regional settlement residue (IRSR) across generators and network users who are subject to non-locational prescribed transmission use of service (TUOS) charges.

As outlined in our submission to the Consultation Paper, AGL recognises the importance of appropriate investment signals in the market, and the volatility currently being experienced under the existing MLF framework. While we agree that reforms are necessary to improve the MLF methodology, we believe that appropriate consideration and progress has been made since the commencement of this rule change process to address some of the accuracy, uncertainty and transparency issues that have made it difficult for proponents and financiers to forecast future investments and revenue. AGL points to the Transparency in New Projects rule change and AEMO's recently published indicative 2020-21 MLF publication as key efforts aimed at increasing the information and data available to prospective developments. This newly accessible information together with an increased commitment from AEMO to publish projected MLF trajectories should assist participants in their commercial assessment to make financial investment decisions within their level of comfort.

AGL therefore supports the AEMC's draft determination and preferable draft rule to retain the existing MLF framework and provide AEMO with flexibility to refine and improve the existing MLF methodology. We believe



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that this decision provides a sensible compromise in the interim period while wider policy and regulatory reform discussions regarding the future market design of the National Electricity Market and more specifically, transmission access, take place. The draft determination appropriately maintains consistency in its marginal approach to dispatch decision making, pricing and settlement, which will minimise any pass through or socialised costs to consumers.

AGL supports the views presented in the submission from the Australian Energy Council to the Draft Determination.

AGL also remains in-principally supportive of the AEMC's access reform proposal under its Coordination of Generation and Transmission Review, including its ongoing assessment of a potential move to dynamically adjusted MLFs and the introduction of a mechanism to enable losses to be hedged. We look forward to working closely with the AEMC as the COGATI Review and proposed rule change is progressed.

If you have any queries about this submission, please contact Dan Mascarenhas on (03) 8633 7880 or [DMascare@agl.com.au](mailto:DMascare@agl.com.au).

Yours sincerely,

Chris Streets

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