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Australian Energy Market Commission  
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Online submission

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Dear Mr Noone,

**Consultation Paper - Global settlement and market reconciliation, 7 June 2018**

AGL welcomes the opportunity to comment on the AEMC's Consultation Paper on AEMO's rule change proposal to replace the current settlement by differencing approach with a global settlement framework.

As a local retailer in South Australia and in 2 distribution network regions in Victoria. AGL is well aware of the allocation issues relating to unaccounted for electricity losses (UFE) under the current settlement approach. Due to UFE, there are material discrepancies between retail and wholesale loads.

After 16 years of full retail contestability, the implementation of a global settlement framework is well overdue. Across the NEM, local retailers currently retain less than 40% market share but are responsible for all the UFE (after distribution losses). This distortion is accentuated in Victoria where the overall market share of local retailers has fallen below 25%.

As a retailer, AGL does not anticipate significant changes to systems and processes if global settlement is implemented. However, before global settlement can be implemented, the unmetered loads will need to be assessed. There is a large but not well documented number of these loads which are mainly of low value. Currently, the UFE includes a portion of these loads where the local retailer is responsible for the wholesale energy costs but does not receive any revenue.

AGL strongly supports the replacement of the current settlement by differencing framework with global settlement. This will provide transparency of UFE and unmetered loads, and create a level playing field in relation to the allocation of UFE between local and independent retailers. AEMO has stated that there are synergies in system development for five-minute settlement and global settlement. It is therefore an opportune time to also implement global settlement.

AGL's comments on the issues raised in the Consultation Paper are provided in the Stakeholder Feedback Form which is attached.

If you have any questions, please contact me on (02) 9921 2221 or [mgoh@agl.com.au](mailto:mgoh@agl.com.au).

Yours sincerely,

Meng Goh  
Senior Manager Regulatory Strategy