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Elizabeth Bowron
Project Leader
Australian Energy Market Commission
Friday 26 April 2019

Lodged electronically: www.aemc.gov.au (EPR0073)

Dear Ms Bowron,

RE: EPR0073 – Coordination of Generation and Transmission Investment Implementation – Access and Charging Consultation Paper

By way of background InterGen Australia (**InterGen**) is owned by InterGen N.V. and the China Huaneng Group (**CHG**), one of China's largest generation companies. InterGen and CHG are leading developers and operators of electricity generation facilities worldwide. In Australia, InterGen is the operator and majority owner of the 851MW Millmerran Power Station and a 50% owner of the 850MW Callide C Power Station.

The Australian Energy Market Commission (**AEMC**) has sought stakeholder submissions to the COGATI implementation – access and charging consultation paper (**COGATI**) dated 1 March 2019 and the Supplementary Information Paper dated 4 April 2019.

InterGen's position is set out below.

General Comments

InterGen contends that the now continuous and significant regulatory change faced by NEM participants has become hazardous to the efficient running of the NEM. This on-going change has severely impacted upon participants' ability to operate commercially and has curtailed willingness to undertake productive investment.

More specifically, InterGen is concerned with the overall proposed implementation of the COGATI phases in quick succession without sufficient time for the market to adapt to and bed down, operating with 5-minute settlement (**5MS**). Further, the proposed COGATI timetable anticipates there will be no 'teething' issues with 5MS and leaves no time to properly assess whether 5MS will ameliorate or further exacerbate issues raised in the December 2018 *Coordination of generation and transmission investment review (COGATI)*. Finally, InterGen supports the cessation of any further significant change to the operation of the NEM (including the COGATI Implementation) until the completion of the ESB's post 2025 Market Design review.

Specific Comments to the Consultation Paper

1. Phasing of Access Reforms

Whilst InterGen is appreciative of the AEMC's consideration of a staged approach for the COGATI implementation, we are particularly concerned with the scheduling of another significant market reform in the immediate period after 5MS and prior to the conclusion of the ESB's post 2025 Market Design Review.

Particularly:

- The proposed June-Dec 2019 workstream to both consult on and draft the access regime and rule change process is ambitious given the complexity of significantly changing the nature of network access.
- Even if the appropriate Rule changes are made in the period envisaged and the COGATI implementation proceeds as scheduled in the consultation paper, participants will likely be unable to make the necessary changes to spot trading and risk management systems to accommodate the COGATI market redesign without risking failure to meet the 5MS timetable. This will likely result in costly rework of new 5MS systems which is already proving to be an extensive and costly exercise.

Should the COGATI implementation continue to proceed, InterGen suggests that it commence coincident with the operation of any new market structure recommended by the ESB and confirmed by COAG (i.e. no earlier than July 2025). This timeline ensures that more thorough consideration can be given to the design and implementation of each of the COGATI phases, the market has unfettered time to adapt to 5MS (free of any other major structural market change) and most importantly, it will allow sufficient time for participants to undertake yet another significant rebuild of systems post 5MS to accommodate both dynamic regional pricing and firm access pricing (and their respective impacts on spot trading/forward markets and risk management systems).

InterGen also suggests that the time between implementing dynamic regional pricing and firm access be at least 3 years. This will allow a minimum period for generators to adjust to regional pricing, to value its impact and then assess its requirement for firm access. Additionally, generators will also require sufficient time to negotiate firm access with their respective networks (and for some generators, across multiple networks).

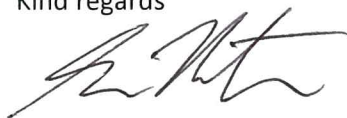
2. Access reform – generators contribution towards transmission

With respect to any implementation of a generator firm access regime, InterGen strongly urges the AEMC adopt a transitional access period for existing generators commensurate with the remaining life of generators set at a level consistent with their current access. This recognises that existing generators invested under the current regulatory regime and their inability to mitigate the impact of firm access reform through locational choices.

Alternatively, the length of transitional access could be matched against the remaining period of a generator's connection and access agreement. This provides an equitable outcome especially where a generator has incurred "deep" connection charges and will avoid any unintended consequence of such generators effectively paying twice for the same access.

For further information, please contact Mr Robert Pane on (07) 3001 7124.

Kind regards

A handwritten signature in black ink, appearing to read 'S. Bristow', with a stylized, cursive script.

Sam Bristow
Director, Trading & Development
InterGen (Australia) Pty Ltd

