



27 September 2018

John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted online: www.aemc.gov.au

Dear Mr Pierce,

Generator three year notice of closure – Draft Determination and Rule

Origin Energy Limited (Origin) welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC) draft determination and draft rule on advance notifications for closure of generators.

Origin supports improved information for participants and the Australian Energy Market Operator (AEMO) of upcoming planned closures of generators. More transparency could lead to improved forward preparations and investment to maintain system reliability and security.

Origin largely supports the draft rule. We agree that end of registration is the most straightforward way of describing the closure of generators and allow mothballing when appropriate.

As per the recommendation from the Finkel Review, we concur that three years is an appropriate window of time for the notification. Providing a three-year notification period of closure will provide participants time to plan new investments. The Finkel Review identified that a balance is needed as requiring a longer notification period "may place an unrealistic expectation of foresight on existing generators".¹

In addition, we consider that the rule can be enhanced by providing greater clarity on how it will be applied in situations where unforeseen circumstances may require deviation from the originally specified closure date.

In our submission to the consultation paper, we noted that the proposed language for Clause 2.10.1(c3) does not provide clear guidance on what constituted an event beyond reasonable control of the generator. Additionally, the clause does not describe what could be reasonably foreseen by the generator.

This approach was maintained in the draft determination and rule. The draft determination states that the AEMC is concerned about drafting a definition that prevents "manipulation and gaming", while retaining flexibility for generators.

Origin understands the difficulty of setting out in the rules how this exemption would be assessed if needed. However, the recommendation that accurate statement of closure dates be a civil penalty provision means that this represents a risk for generators. Examples of potential unforeseen

¹ *Independent Review into the Future Security of the National Electricity Market: Blueprint for the Future*, Commonwealth of Australia, 2017, p88

circumstances for a generator could include financial hardship, an inability to strike commercially acceptable terms on related contracts or unforeseen healthy and safety concerns.

Uncertainty about whether renominating a closure date is covered by the exemption in the rules may lead to a generator remaining open in an uneconomic fashion. In such a scenario, not only would the generator incur a loss, but there could be market distortions that impact new investments which could otherwise be beneficial for system reliability.

Therefore, Origin requests that the final rule provides guidance to generators on how to specify that unforeseen circumstances are the cause of any closure before the nominated date.

Should you have any questions or wish to discuss this information further, please contact Alex Fattal in the first instance via email alex.fattal@originenergy.com.au or phone, on (02) 9375 5640.

Yours sincerely



Steve Reid
Group Manager, Regulatory Policy