



20 July 2023

Anna Collyer
Chair
Australian Energy Market Commission

Lodged online: www.aemc.gov.au

Dear Ms Collyer,

Gas Compensation and Dispute Resolution Frameworks – Consultation Paper

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on the Australian Energy Market Commission's (AEMC) Consultation Paper on the *Gas Compensation and Dispute Resolution Frameworks*.

Origin supports the intent of the proposed rule change which is to ensure the gas compensation and dispute resolution frameworks are fit for purpose. The first stage of the East Coast Gas System (ECGS) Reforms established significant and broad direction powers for the Australian Energy Market Operator (AEMO), and it is critical they are supported by a robust and effective compensation and dispute resolution framework.

We have provided comments on specific elements of the framework below.

1. Scope of the Framework

The Consultation Paper discusses whether directed participants should be eligible to receive compensation for their direct costs only or whether further incentives (such as, compensation for opportunity costs) are required to encourage behaviour that supports system reliability. Our view is that the scope of compensation claims should be expanded to include opportunity costs alongside direct costs, as this will likely best reflect the value of gas and so, the true cost of a direction.

To improve the clarity of the compensation framework we encourage the AEMC to establish clear definitions for direct costs and opportunity costs as we note these terms are currently undefined in the National Gas Rules (NGR).¹ It would be helpful if the AEMC could provide examples that illustrate the nature of the costs that could be claimed in different situations. Origin is particularly eager to understand how the compensation framework might apply in the following scenario: *AEMO directs a participant not to run its gas-powered generator, so that gas can be diverted to address a potential ECGS adequacy threat, however that participant is now exposed to high electricity market prices because it did not run its gas unit.*

2. Governance and Procedural Arrangements

We support the proposal to include a right of appeal that would allow a claimant to appeal a compensation determination. This is prudent given the framework is untested and there may be

¹ In contrast, both terms are defined in the National Electricity Rules (NER). The AEMC Compensation Guidelines also provides detailed examples of different types of costs that fall into each cost category.

uncertainty in relation to how specific scenarios and the associated level of compensation (particularly where it relates to opportunity costs) are assessed.

The AEMC will also explore whether to allow compensation claims from different entities to be joined together into one process. Careful consideration will need to be given to any confidentiality issues that could arise under this approach as individual claims are likely to contain commercially sensitive pricing information.

3. Funding Arrangements

Origin supports the continued use of the current causer pays cost recovery arrangements for directions. These arrangements are sensible and fair as costs are allocated based on recent² consumption in the region(s) affected by the adequacy risk to which the direction relates. As noted in advice provided by CEPA to AEMO, they are also relatively simple and transparent, equitable and will promote economic efficiency.³

We do not support imposing caps on the quantum of compensation payable. It is fair and reasonable to expect that directed participants are fully compensated for costs incurred in complying with a direction. This is reflected in two key objectives of the proposed rule, namely that the revised framework should (i) sufficiently incentivise behaviour that supports system reliability and (ii) provide reasonable and proportionate access to compensation. The introduction of caps would be inconsistent with this approach. For example, under an annual aggregate cap (as suggested in the Consultation Paper), an influx of claims early in the year could mean that a participant directed at a later point in the year is unable to recover costs. Capping individual claims could similarly result in directed participants under recovering costs, undermining the utility of the framework.

If you wish to discuss any aspect of this submission further, please contact Thomas Lozanov at thomas.lozanov@originenergy.com.au.

Yours Sincerely,



Shaun Cole
Group Manger, Regulatory Policy

² Up to six months for long duration directions.

³ CEPA, Recovering the costs of gas directions and the trading fund, 20 February 2023, p. 17