



21 May 2024

Reliability Panel
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted online: www.aemc.gov.au

Review of the form of the reliability standard and administered price cap – Draft Report

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on the Review of the form of the reliability standard and administered price cap (APC) Draft Report. Assessing the efficacy of these metrics and case for change as the National Electricity Market (NEM) transitions to higher levels of variable renewable energy (VRE) is prudent. We generally support the Reliability Panel's preliminary finding that the current unserved energy (USE) metric and approach to setting the APC remains fit-for-purpose.

1. Form of the reliability standard

As noted in our response to the earlier Issues Paper, the existing form of the standard has performed well as a measure of reliability as it is simple, economically efficient, and generally captures the value that customers place on reliability. The Reliability Panel's modelling / analysis demonstrates this is likely to remain the case, as the USE metric can adequately capture the changing nature of reliability risks as the NEM transitions.

We also agree it would be challenging to address the risk of high-impact but low-probability events through the form of the reliability standard. This is because any revision to the form of the standard that results in greater weighting being applied to such events may not align with consumers' willingness to pay. It would also likely necessitate upward revision of market settings, such as the market price cap (MPC) and cumulative price threshold (CPT), with a view to driving the required level of investment. However, as noted by the Reliability Panel, the fundamental issues that make investment in dispatchable resources challenging, such as uncertainty around future revenue adequacy to cover fixed costs (given reliance on relatively infrequent and unpredictable high price events), are likely to remain.¹

2. Form of the Administered Price Cap

In our previous submission, Origin recommended annual indexation of the APC to align with the approach applied to other settings such as the MPC and CPT. However, we generally support the proposal to retain the existing form and governance of the APC, provided the APC is comprehensively evaluated through the four-yearly Reliability Standard and Setting Review (RSSR) process to account for any material changes in the short run marginal costs (SRMC) of the marginal generator. This will ensure the APC continues to be set at a level that incentivises sufficient supply during an administered pricing period (APP) and by extension, minimises the need for the Australian Energy Market Operator

¹ AEMC Reliability Panel, 'Review of the form of the reliability standard and administered price cap – Draft Report', 18 April 2024, pg. ii.

(AEMO) to direct participants, while also helping to insulate market customers from extreme and prolonged periods of volatility.

If you wish to discuss any aspect of this submission further, please contact Liz Robertson at Elizabeth.Robertson@originenergy.com.au.

Yours Sincerely,

A handwritten signature in black ink that reads "S Cole". The signature is written in a cursive, slightly slanted style.

Shaun Cole
Group Manager, Regulatory Policy