



2 December 2011

Mr Neville Henderson, Chair
AEMC Reliability Panel
PO Box A2449
Sydney South NSW 1235

Lodged online: www.aemc.gov.au

Dear Mr Henderson

REL0045 - System Restart Standard - Issues Paper

Origin Energy (Origin) appreciates the opportunity to comment on the Australian Energy Market Commission (AEMC) Reliability Panel's System Restart Standard (Standard) Issues Paper.

This Standard is important as it determines what System Restart Ancillary Services (SRAS) the Australian Energy Market Operator (AEMO) should procure to deliver efficient and timely restoration of a "black system". This includes ensuring AEMO contracts a sufficient and optimal mix of SRAS.

It is appropriate to review the Standard periodically as the type and diversity of the National Electricity Market's (NEM's) generation mix can change over time. Checking whether or not the standard and supporting guidelines remain fit for purpose is good regulatory practice. Origin values a robust process being in place to restore the system.

SRAS is a form of insurance for the NEM. While NEM participants hope there is never a need to use the system restart process, if it is required, we want it to work; consumers value efficient and timely restoration of the system. At the same time, consumers also pay the cost of procuring restart services. There is a balance between the services required to restore the electricity system in that timely window and the cost for the necessary SRAS mix.

While this Review is timely, Origin considers the current System Restart Standard delivers an appropriate level and mix of primary and secondary restart services. The AEMC Reliability Panel cites the current annual cost of SRAS to be around \$36.7m.¹ This is a very small percentage of the NEM's annual spot revenue, which was around \$7.4b for FY2011.²

Origin notes that there are a number of concurrent consultation processes related to SRAS currently underway. In particular, AEMO has requested Expressions of Interest (EOI) to provide SRAS from 1 July 2012. We understand that this procurement process is applying the current interim System Restart Standard. This is appropriate given the AEMC

¹ AEMC 2011, *System Restart Standard*, 4 November 2011, Sydney, p.1.

² This calculation is the sum of Regional Reference Price (RRP) x Total Demand for each settlement period in each region for Financial Year 2011, e.g. the value consumers placed on electricity use.

Reliability Panel's Final Report is unlikely to be available prior to the start of negotiations for these SRAS contracts.

Should you have any questions or wish to discuss this submission, please contact Hannah Heath (Manager, Regulatory Policy) on hannah.heath@originenergy.com.au or (02) 8345 5500.

Yours sincerely,



Phil Moody
Group Manager - Commercial, Analysis & Risk Services
Energy Risk Management