



10 April 2014

Mr Neville Henderson
Chairman
Australian Energy Market Commission Reliability Panel
PO Box A2449
Sydney South NSW 1235

Submitted online: www.aemc.gov.au

Dear Mr Henderson

RELO051: RELIABILITY STANDARD AND SETTINGS REVIEW 2014

Origin Energy (Origin) appreciates the opportunity to comment on the Australian Energy Market Commission's (AEMC's) Reliability Panel (Panel) Draft Report. We broadly agree with the Panel's findings - and our specific comments are set out below.

Reliability Standard

Origin supports the draft recommendation that no changes be made to the current form and level of the reliability standard. We concur with the Panel's reasoning that the design of the current unserved energy standard is an appropriate means of placing value on cumulative long-term energy shortfalls, helping to signal additional generation in response.

The Draft Report recommends that following completion of AEMO's review of the national value of customer reliability (VCR), a methodology should be developed to include the VCR estimate into future determinations of the reliability standard. As we highlighted in our earlier submission, this is unlikely to be a straightforward exercise given the inherent difficulties in ascertaining the accuracy of the VCR. Origin therefore urges caution in attempts to incorporate the VCR calculations into the reliability standard.

Market Price Cap (MPC)

The Panel also recommends that no change be made to the real value of the MPC and that it should continue to be indexed annually to the consumer price index (CPI). Origin agrees with this decision given:

- the lack of evidence to suggest that a move from the current level of the MPC is required to meet the reliability standard; and
- the inconclusive nature of the modelling (in that the two approaches yielded very different results).

Origin also supports the Panel's decision to reject calls for having a separate MPC in each region. Region-specific MPCs would prove highly impractical and are likely to be distortionary in the context of the overall efficient functioning of the National Electricity Market (NEM).

Cumulative Price Threshold (CPT)

In the absence of evidence to suggest that a change is required, Origin supports the decision that the real value of the CPT be kept the same, and that it continues to be indexed annually to the CPI.

Market Floor Price (MFP)

The Draft Report makes reference to the increase in the number of negative pricing periods in the NEM, and that this is in part due to renewable generators being able to receive revenue outside of the spot market. We note the draft decision to maintain the current level of the MFP, given that any change could prove premature in light of the uncertainty surrounding the renewable energy target and carbon tax. With this in mind, Origin would welcome a more in depth analysis of the MFP at the next reliability standards and settings review - given at that time the outlook for the aforementioned climate change policies is likely to be clearer.

Should you wish to discuss any aspect of this submission please contact me on (02) 95035111 or at steve.reid@originenergy.com.au.

Yours sincerely,

A handwritten signature in blue ink, consisting of a stylized, cursive 'S' followed by a vertical line.

Steve Reid
Manager - Wholesale Regulatory Policy