



EnergyAustralia

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Dear Commissioners,

Review of administered electricity price compensation arrangements: Draft Report

EnergyAustralia welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC) Draft Report on the Review of the Compensation Arrangements following an Administered Price, Market Price Cap or Market Floor Price (the draft report).

EnergyAustralia is one of Australia's largest energy companies providing gas and electricity to over 2.7 million household customers. We own and operate an integrated portfolio of energy generation and storage facilities across Australia.

The application of administered prices may result in energy suppliers incurring a loss during an Administered Price Period. This may reduce the incentive of some generators to supply energy at these times. As a result, it could impact the reliability of supply of electricity to customers. To mitigate this risk, we support the principle that suppliers of energy services who suffer a loss due to administered pricing should be able to claim compensation.

As detailed below, we generally agree with the key recommendations in the draft report. In particular, we agree that the primary purpose of compensation should be to encourage participants to supply energy during an administered price period and that generators should continue to be able to claim compensation for both direct losses and opportunity costs. We understand that the form of generation most likely incur a net loss due to the application of an Administered Price Cap (APC) is generation with very high direct operating costs (such as a liquid fueled super peaking plant). The assessment of these costs is likely relatively simple and we support the draft recommendation that public consultation is not necessary for the assessment of direct cost claims.

However, we disagree with the recommendation that ancillary services providers should not be eligible to claim compensation. While the AEMC identifies that it may be unlikely that an ancillary service provider will suffer a net loss, this does not justify removing the right for ancillary service providers who believe they have suffered a loss to have their claim assessed on a case by case basis.

Response to the key recommendations in the Draft Report

- **Defintion of the purpose of compensation**

We agree that the primary purpose of compensation should be to encourage participants to supply energy during an Administered Price Period.

- **Eligibility to claim compensation**

We agree that participants should be able to claim compensation once the price has been capped by the Administered Price Period.

- **Participants who can claim**

Participants who suffer a net loss due to the application of an Administered Price Period should be eligible to claim compensation. We agree this includes scheduled generation, load and network services.

We disagree that ancillary services providers should not be eligible to claim compensation.

Whilst we acknowledge that the AEMC's analysis suggests it is unlikely that an ancillary services provider will suffer a compensable loss, this does not justify removing the right for ancillary service providers who believe they have suffered a loss to have their claim assessed on a case by case basis.

- **AEMC claim assessment process**

We support the proposed changes to the AEMC's process for assessing compensation claims including:

- the requirement to publish advice when a claim has been received and when formal commencement of the claim has started;
- the discretion to appoint a varying sized expert panel depending on the complexity of a compensation claim;
- the discretion to extend the period for an assessment of a compensation claim.

- **Public consultation process**

We agree that public consultation is not necessary for the assessment of direct costs but should be retained in relation to the assessment of "opportunity cost" claims.

- **Recovery of compensation costs**

We agree that the cost of compensation should be recovered from customers in the region where administrative pricing is applied in proportion to their total energy consumption.

We thank the AEMC for its consideration of the issues that we have raised over the course of this consultation. If you have any enquiries regarding this submission, please feel free to contact me on 03 8628 1240.

Yours sincerely

Signed for email

Con Noutso
Regulatory Manager