



5 May 2011

John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Mr Pierce,

ERC0115 - Reliability Settings from 1 July 2012

Origin Energy Limited (Origin) welcomes the opportunity to provide a submission to the Australian Energy Market Commission's (AEMC's) Draft Determination in relation to the indexation of specified Reliability Settings and the process of review of the Reliability Standard and Reliability Settings.

Origin supports the annual indexation of the Market Price Cap (MPC) and Cumulative Price Threshold (CPT). We consider that preserving the real values of the MPC and CPT affords certainty, transparency and predictability to market participants while simultaneously maintaining values that provide an efficient market signal for investment.

Origin also supports the use of the Consumer Price Index (CPI) as the index to determine the MPC and CPT values each year. We accept that CPI is more preferable compared with the Intermediate (Stage 2) Producer Price Index because it is relatively more stable and is a commonly used index that is more likely to be taken into account in business and investment decisions and modelling.

While indexing is a simpler process to adjust the MPC and CPT, Origin considers it is still important that there is a regular review to check that indexation continues to be appropriate and the Reliability Standard and Reliability Settings are still correct and consistent with each other. We agree that a four-yearly review is appropriate. This timeframe ensures that the certainty for market participants intended by indexing is realised and that the Reliability Standard and Reliability Settings are reviewed with sufficient frequency.

Origin also supports the AEMC's finding that the content of the four-yearly review should be substantially similar to the current biennial review with the addition of a review of indexation. A comprehensive review of this nature provides greater clarity to market participants of the review's scope and process. A four-yearly review timeframe also allows sufficient opportunity for stakeholder consultation, which we consider a key aspect of the review process.

Should you have any questions or would like to discuss this submission further, please call me on (02) 8345 5250 or Jakob Vujcic on (02) 8345 5233.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Tim O'Grady".

Tim O'Grady
Head of Public Policy
Corporate Affairs