



26 July 2011

Chris Stewart
Australian Energy Market Commission
PO Box A2449
SOUTH SYDNEY NSW 1235

Dear Mr Stewart

Rule change request to amend Network Support Payments and Avoided TUoS for Embedded Generators (ERC0129)

Origin Energy Limited (Origin) welcomes the opportunity to respond to the Ministerial Council on Energy's (MCE) proposal to amend the Rules governing network support payments and avoided TUoS for embedded generators.

Origin is the owner of Cogent Energy (Cogent), a leading distributed generation company. Our subsequent comments are based on our experience through Cogent in the provision of co- and tri-generation plants.

The Rule change proposal

Whilst Origin appreciates the intent of the Rule change proposal - that is to avoid the duplication of payment to embedded generators, to our knowledge instances where a generator would receive both avoided TUoS and network support payments are uncommon. In fact, in our experience it is challenging to secure any one of these payments given the:

- Inherent difficulties in calculating the payments and the lack of a prescriptive payment methodology; and
- Imbalance in the negotiation of these payments, with the Distribution Network Service Providers often having a stronger negotiating position.

In the case of cogeneration plants (that directly supply power to buildings), it should be noted that these generators provide an added benefit in the form of avoided Distribution Use of System (DUoS) costs. In the absence of an explicit payment, these avoided DUoS charges should be reflected in the network support payment. Therefore in these instances the payment of both a network support payment and avoided TUoS would not constitute duplication. Given this, Origin recommends that any amendments to the Rules are reflective of these circumstances.

If you wish to discuss any of these issues further please do not hesitate to contact me on (02) 8345 5250 or Steve Reid on (02) 8345 5132.

Yours Sincerely,

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

Tim O'Grady
Head of Public Policy