



7 November 2013

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

Submitted by online: www.aemc.gov.au

Dear Mr Pierce

ERC0140 - Negative offers from scheduled network service providers

Origin Energy (Origin) appreciates the opportunity to provide comments to the Australian Energy Market Commission (AEMC) Draft Rule Determination on the rule change proposal on negative offers from scheduled network service providers (SNSP). Origin supports the proportionate response to specify in clause 3.8.6A(i) of the National Electricity Rules (NER) that an SNSP cannot provide a dispatch offer that is less than the market floor price.

The draft rule promotes technology and competitively neutral market outcomes and decision-making. It seeks to treat generators and SNSPs similarly in the dispatch process and is careful not to introduce an incentive that could dissuade potential future investment in non-regulated interconnectors in the NEM. Origin notes that Basslink is currently the only SNSP in the NEM. Notwithstanding these principles, there are also jurisdictional restrictions imposed when Basslink submit negative bids, including times when transmission constraints are binding in the La Trobe Valley.

We also note that the Australian Energy Regulator (AER) has developed the Service Target Performance Incentive Scheme (STPIS) to incentivise network service providers to enhance the availability of the network over peak demand periods to minimise the market impact of transmission outages.¹ Enhancing the availability and efficient operation of the national electricity system could reduce the frequency and duration of network congestion and requirement to rebid generation to negative prices to minimise dispatch risk. Incentive regulation can assist in avoiding unnecessary interventionist or restrictive rules to address technical limitations leading to problems like the one identified by the Proponents.

Origin has reservations regarding the potential benefits of the Optional Firm Access (OFA) model, developed as part of the Transmission Frameworks Review (TFR). In our view, it seems premature to suggest the OFA model could address the issues raised in this Rule change proposal the Standing Council of Energy and Resources (SCER) is still to make a decision on whether or not it supports the model. In addition, the AEMC recognises more detailed work is necessary on the feasibility of the OFA model before making a decision on its implementation. Until there is greater clarity around the practical design of OFA, we consider there is insufficient information available to determine its benefits, particularly in this specific case.

¹ The rebidding examples identified by the Proponents over 2-3 February 2010 were impacted by an outage of one of the three 500kV lines between the Loy Yang and Hazelwood connection points.

Broadly, Origin considers the Draft Determination is an appropriate and proportionate response to the problem identified by the Proponents. The determination is competitively neutral and does not afford special treatment to SNSPs or generation by aligning the bidding parameters in the NER. The problem identified by the Proponents is related to transmission congestion and the AER has developed the market impact component under STPIS to minimise the planning of outages during peak demand periods that could alleviate the occurrence of transmission congestion and alleviate negative offers being submitted by SNSPs.

Should you have any questions or wish to discuss this information further, please contact Hannah Heath (Manager, Wholesale Regulatory Policy) on (02) 9503 5500 or hannah.heath@originenergy.com.au.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Phil Moody', with a large loop at the end of the name.

Phil Moody
Group Manager - Energy Markets Regulatory Development
Energy Risk Management