



26 May 2011

Mr John Pierce
Australian Energy Market Commission
Level 5
201 Elizabeth Street
Sydney NSW 2000

Dear Mr Pierce

ERC0117 - Application of Dual Marginal Loss Factors Consultation

Origin Energy Limited (Origin) welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC's) Draft Determination on the application of dual marginal loss factors (MLFs).

Origin continues to support the Rule change to allow the application of dual MLFs as a means of avoiding inefficiency in the dispatch process. We agree that the 30% net energy balance condition trigger is an adequate threshold for determining when to introduce dual MLFs.

As noted in Origin's submission to the AEMC's Initial Consultation on this Rule change, we consider it appropriate that AEMO use more than one year's worth of data to determine whether or not a connection point meets the threshold trigger to introduce dual MLFs. We remain concerned that under AEMO's current proposal, extreme weather conditions or other unexpected events in a single year may unintentionally meet the 30% trigger. This could result in a participant having a year-on-year change between having one or dual MLFs, which in turn creates uncertainty and is difficult for business to manage. In the longer term, it can also weaken value of loss factors as a locational signal for new investment. Allowing for a longer historical data period can assist in smoothing out year-to-year variations that result from unexpected events. Again, Origin suggests that the AEMC undertake some statistical analysis to help determine the optimal review time.

If you have any questions or would like to discuss this submission please call Hannah Cole on 02 8345 5500.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Jakob Vujcic", written over a horizontal line.

Jakob Vujcic
Regulatory Risk & Policy Manager
Energy Risk Management