21 June 2013

Mr Neville Henderson
Chairman
Australian Energy Market Commission Reliability Panel
PO Box A2449
Sydney South NSW 1235

Submitted online: www.aemc.gov.au

Dear Mr Henderson

REL0051: RELIABILITY STANDARD AND SETTINGS REVIEW 2014

Origin Energy Limited (Origin) welcomes the opportunity to comment on the Australian Energy Market Commission Reliability Panel's (Panel) Reliability Standard and Settings Review 2014 Issues Paper.

Origin recognises the important role that the reliability settings and standards have in ensuring secure supply is available for National Electricity Market (NEM) customers. The market price cap (MPC), market floor price (MFP), and cumulative price threshold (CPT) are critical in delivering key investment signals in the NEM's energy-only market. It is important to ensure these price settings are set at the most appropriate level to continue to promote long term market efficiencies from 1 July 2016.

As the Panel notes in its Issues Paper, much has changed in the market since it last conducted a Standards and Settings Review. We agree the Panel's Review should consider the consequences and implications of the various Government policies and interventions, in particular. In that context, it is important to consider the role of the suite of reliability settings and how they can best continue to deliver the important investment signals, so critical in the NEM.

Role of reliability settings in promoting NEM reliability standard

Origin considers the MPC plays a crucial role in promoting the NEM reliability standard. As set out in the Panel's Final Report of the Reliability Standard and Settings Review 2010, the MPC provides a key investment signal in an energy-only market. When combined with the other reliability settings (CPT and MFP), this suite of price signals helps deliver timely and efficient investment in reliable generation capacity.

While these signals have delivered timely generation investment to date, a growing number of Government policies and interventions are having an increasingly significant and direct impact on electricity market dynamics. The most significant of these schemes is the Renewable Energy Target (RET) – both the Large-scale Renewable Energy Target (LRET) and the Small-scale Renewable Energy Scheme (SRES). These schemes have resulted in substantive renewable generation build for non-reliability driven incentives. It will therefore be important that the Panel examines the role and levels of the reliability settings in light of the changing generation mix and the incentives for that investment.

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Relevant considerations for AEMC Reliability Panel assessment

There is a range of key policy issues and market dynamics that we recommend the Panel's qualitative and quantitative analysis investigates. These include:

- carbon pricing scenarios (current Government policy and proposed Coalition policy);
- LRET scenarios (current Government policy and proposed Coalition policy; current target vs. actual 20% target in light of revised demand forecasts);
- SRES assumptions (see AEMO Paper[1]); and
- consequences of the proposed Demand Response Mechanism (in terms of the assumed level of demand management).

Given the scope of possible scenarios, we would encourage the Panel to publish a modelling assumptions paper for consultation. This could help draw on industry expertise to develop a robust and realistic set of modelling assumptions and information sources. Holding a public forum or establishing a targeted technical modelling working group could further assist in ensuring scenarios capture credible options so that the Panel's work is best placed to deliver practical results.

Further information

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

Yours sincerely,

Phil Moody
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Energy Risk Management

[1] AEMO, Rooftop PV Information Paper, National Electricity Forecasting, 2012, available at http://www.aemo.com.au/Electricity/Planning/Forecasting/Information-Papers-2012