

24 February 2017

Mr Nathan White  
Australian Energy Market Operator  
Level 22, 530 Collins Street  
Melbourne VIC 3000

By electronic submission to [CauserPaysConsultation@aemo.com.au](mailto:CauserPaysConsultation@aemo.com.au)

Dear Mr White

### **Causer Pays Procedure Consultation - Issues Paper**

Hydro Tasmania appreciates the opportunity to make a submission to the Australian Energy Market Operator's (AEMO) consultation on the Causer Pays Procedure Issues Paper.

Hydro Tasmania supports AEMO's preferred approach summarised in its Issues Paper<sup>1</sup> with one exception:

Hydro Tasmania believes the status quo<sup>2</sup> (option 1 – section 3.4) being 28 day sample period to derive causer pays factors would be improved if extended to a longer sample period of 365 days. Hydro Tasmania believes this:

- will reward participants that have negative causer pays outcomes in some months (currently floored to zero) and penalises only the persistent offenders;
- ensures there are sufficient samples to eliminate random fluctuation based on seasonal running profiles;
- will align with time required to implement significant plant/system changes to improve performance; and
- balances computational and settlement effort

In addition, Hydro Tasmania agrees that real-time factors are not appropriate, due to the perverse incentives created in the energy market. As outlined in the Issues Paper, these perverse incentives could result in units withdrawing capacity from the energy market to manage exposure to high regulation Frequency Control Ancillary Services prices. This would increase overall costs to supply energy to consumers and would be inconsistent with the National Electricity Objective.

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<sup>1</sup> Page 17 and 18 of the Causer Pays Procedure Consultation available here - [https://www.aemo.com.au/-/media/Files/Stakeholder\\_Consultation/Consultations/Electricity\\_Consultations/2016/Causer-Pays-Procedures-Issues-Paper-Dec-16.pdf](https://www.aemo.com.au/-/media/Files/Stakeholder_Consultation/Consultations/Electricity_Consultations/2016/Causer-Pays-Procedures-Issues-Paper-Dec-16.pdf)

<sup>2</sup> As above pg 13

Hydro Tasmania appreciates AEMO's considerations to improve the current Causer Pays Procedure and supports, mostly, the progressive modifications proposed by AEMO in its Issues Paper.

Please contact Prajit Parameswar on (03) 6230 5612 and/or Vedran Kovac on (03) 6230 5292 if you would like to discuss any matters associated with this submission.

Yours sincerely

A handwritten signature in blue ink that reads "JN Cooper". The signature is written in a cursive, flowing style.

John Cooper  
Policy & Regulatory Analyst