



Mr Nathan White
Markets Executive Officer
Australian Energy Market Operator (AEMO)

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Dear Mr White

CAUSER PAYS PROCEDURE – CONSULTATION – DECEMBER 2016

Origin Energy Limited (Origin) welcomes the opportunity to comment on AEMO's causer pays procedure.

Origin's preferred options for the causer pays procedure are outlined in the table below. Origin has a strong preference for the calculation of local causer pay factors based on generation located within the localised area. This ensures that units who have the ability to influence local frequency requirements are incentivised to respond, and those outside the local area are not penalised when they have no ability to help the situation. This is AEMO's preferred approach, and identified as Option 2 under the issue of local requirements.

For the remaining 3 issues, positive factors for portfolio, positive factors across the sample period, and the size and timing of the sample period, Origin has a preference for maintaining the status quo.

Issues for consideration	Origin preferred option
Local Requirements	Option 2 – Separate factors calculated for participants for all region combinations
Treatment of positive performance within a portfolio	Option 1 - Status quo – performance is netted across a participants portfolio
Treatment of positive performance within the sample period	Option 1 - Status quo – performance is netted across the sample period
Size and Timing of sample period	Option 1 - Status quo – 28 day sample period, 7 day analysis, 14 days notice, 28 day application period.

Origin agrees with AEMO's preferred approach that local causer pays factors should only reflect the performance of units that have the ability to contribute towards local frequency deviations. The publication of 17 possible region causer pays factors does present participants with increased amounts of information to account for; however they are appropriate to reflect the operating conditions of the NEM especially in cases of separation.

Treatment of performance within a portfolio, and over the sample period, are AEMO's preferred options and Origin supports both of these calculations continuing. In a connected NEM, allowing the netting of performance across a portfolio situated in different regions allows positive generator performance to contribute towards underperforming generators. As participants cannot be in credit, this provides a positive incentive to continue to provide this service.

In regards to the size and timing of the sample period, Origin does not support a move to real time factors as it would likely introduce significant complexity and compliance costs for AEMO and participants. Additionally real time factors would likely introduce an increased level of volatility across causer pays factors. As such, it would be a major challenge for participants to manage their exposure in real time. If participants know their exposure in advance they can implement risk management strategies into their business operations to limit their exposure. One unintended consequence of real time factors might be for participants to limit or manage exposure to high regulation FCAS prices by

shutting down generators. This has the potential to cause system security issues as well as introduce unintended volatility. The current national regulatory reviews into system security highlight the importance of a stable, secure and reliable NEM as we move to integrate additional non-synchronous generation into the grid and a move to real time causer pay factors could be counter to these significant reforms.

Origin also considered the move to a 7 day sample period, however opted to recommend the status quo because of the potential volatility of causer pays factors.

The 7 day analysis period and 14 day notice period could potentially be shortened allowing a quicker turnaround of causer pay factors and a more up to date sample period. This would reflect more recent market conditions and potentially allow participants to adjust future generation behaviours or investigate any inconsistencies. AEMO should investigate the feasibility of reducing these periods, so long as they do not reduce the current level of data integrity.

Should you have any questions or wish to discuss this information further, please contact James Googan on james.googan@originenergy.com.au or (02) 9503 5061.

Yours sincerely,



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