



26 September 2019

John Pierce
Chairman
Australian Energy Market Commission

Lodged online: www.aemc.gov.au

Dear Mr Pierce

AEMC: DRAFT DETERMINATION OF THE APPLICATION OF THE RRN TEST TO THE RERT RULE CHANGE

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on the AEMC's draft determination.

We support the use of the Regional Reference Node (RRN) Test to determine whether intervention pricing should be applied when the Reliability and Emergency Reserve Trader (RERT) is activated. The RRN test should be consistently applied across directions and RERT activations. Origin also considers that the proposed redrafting of the intent of the RRN Test provides additional clarity.

Origin also supports the principle of only applying intervention pricing for directions related to market traded commodities. The main purpose of intervention pricing is to maintain a scarcity signal for a product that is in short supply. Given that services such as system strength are not market traded, we understand the logic of not applying intervention pricing to directions triggered by a deficit in the supply of these products.

Notwithstanding this, the AEMC must be satisfied that preventing the use of intervention pricing for non-traded products does not result in the need for even more directions which could have an even greater distortionary impact. A key consideration is likely to be the extent to which the reduction in prices from the direction serves as a disincentive for synchronous plant to not bid into the market, compared to the counterfactual where the direction does not occur.

Origin continues to maintain that AEMO's interventions to maintain system strength are needed due to the lack of a clear price signal to reward generators providing such a service. The AEMC should use its upcoming report on system strength issues to investigate the creation of a market for generators to provide system strength, rather than relying on AEMO directions.

Should you have any questions or wish to discuss this submission further, please contact Alex Fattal via email alex.fattal@originenergy.com.au or phone, on (02) 9375 5640.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Steve Reid".

Steve Reid
Group Manager, Regulatory Policy