



13 October 2022

Anna Collyer
Chair
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted online: www.aemc.gov.au

Dear Ms Collyer

Amending the administered price cap – Directions Paper

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on the Australian Energy Market Commission's (AEMC) Directions Paper on Amending the administered price cap (APC).

As outlined in our response to the earlier Consultation Paper, Origin is supportive of increasing the level of the APC to better reflect underlying fuel price relativities for marginal plant. To support efficient NEM operations, the APC should be set at a level that would incentivise sufficient supply during an administered pricing period (APP) and by extension, minimise the need for AEMO to direct participants, while also helping to insulate market customers from extreme and prolonged periods of volatility.

The AEMC's preliminary proposal to increase the APC to \$600/MWh is broadly consistent with that approach. The Directions Paper notes this is higher than the Reliability Panel's recommendation of \$500/MWh, which was predicated on analysis of the short run marginal cost (SRMC) of thermal plant assuming gas costs of \$40/GJ, the current APC for the Short Term Trading Market (STTM) and Declared Wholesale Gas Market (DWGM).¹ This could be justified in the near term to account for periods where spot gas prices may exceed the current gas market APCs, as suggested by the AEMC;² or if the gas market APCs are increased prior to 1 July 2025, noting the Australian Energy Market Operator's (AEMO) Gas Market Parameter Review is exploring that possibility.³

We are also supportive of the AEMC's proposal to:

- implement the change as soon as practicable, noting it would be prudent to provide a minimum notice period of at least one month prior to any change taking effect to allow participants sufficient time to manage any disruption to existing contracts;
- apply the revised APC up until 1 July 2025 to align with the commencement of any changes resulting from the 2022 Reliability Standard and Settings Review (RSSR); and

¹ AEMC Reliability Panel, '2022 Review of the Reliability Standard and Settings – Final Report', 1 September 2022, pg. 93.

² AEMC, 'Amending the administered price cap – Directions Paper', 29 September 2022, pg. 17.

³ Market Reform, 'Gas Market Parameters Review 2022 – Draft Consultation report', 5 September 2022, pg. 3.

- maintain the current level of the cumulative price threshold (CPT) (allowing for annual indexation as per the existing framework), with any changes to the CPT to be addressed through RSSR processes and apply from 1 July 2025.

If you wish to discuss any aspect of this submission further, please contact Shaun Cole at shaun.cole@originenergy.com.au or on 03 8665 7366.

Yours Sincerely,

A handwritten signature in black ink that reads "S Cole". The signature is written in a cursive, slightly slanted style.

Shaun Cole
Group Manager, Regulatory Policy