

19 April 2023

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

Submitted online: [www.aemc.gov.au](http://www.aemc.gov.au)

Dear Ms Collyer

### **Review of the Interim Reliability Measure – Draft Report**

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on the Australian Energy Market Commission's (AEMC) Review of the Interim Reliability Measure (IRM) Draft Report.

Origin strongly supports the overarching objective of ensuring reliability of supply in line with consumer expectations as the market transitions to higher levels of variable renewable energy (VRE). The AEMC considers the application of the IRM as a trigger for the Retailer Reliability Obligation (RRO) should be extended from 30 June 2025 to 1 July 2028 to support this objective. This is ahead of a new form of the National Electricity Market (NEM) reliability standard being established that more effectively addresses the risk of low probability, but high impact events (i.e. 'tail risk'). In progressing this reform, it will be important for the AEMC to satisfy itself that the RRO would provide an effective proxy risk management tool for addressing such risks.

As noted in the Draft Report, the Reliability Panel's 2022 Reliability Standard and Settings Review (RSSR) highlighted a potential need to revise the form of the NEM reliability standard from 1 July 2028 to better account for tail risk events. This was based on the Panel's assessment that reliability-related tail risk concerns are likely to become material as further thermal generation exits the market and is replaced with VRE post-2028.<sup>1</sup>

The proposed extension is therefore predicated on efficiently operationalising the IRM through the RRO to assist with managing any tail risk events over the intervening period to 2028.<sup>2</sup> In this context, it should be noted the key reason for progressing a range of recent resource adequacy related reforms is that the existing NEM framework (which includes the RRO) needs to be strengthened to support an orderly transition and ensure reliability in line with jurisdictional expectations. In particular:

- the NEM market price cap (MPC) and cumulative price threshold are being progressively increased from 1 July 2025 to strengthen investment signals for generation, storage and demand response;
- the Commonwealth Government's Capacity Investment Scheme (CIS) is being progressed to complement changes to market settings and provide a more direct and certain mechanism for

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<sup>1</sup> AEMC Reliability Panel, '2022 Review of the Reliability Standard and Settings – Final Report', 1 September 2022, pg. 60.

<sup>2</sup> AEMC, 'Review of the Interim Reliability Measure – Draft Report', 9 March 2023, pg. ii.

ensuring investment in new firming capacity, with the government targeting the first auction in 2023;

- an orderly exit management framework is being developed to manage any delivery risk associated with the timing of new investment, with the New South Wales government continuing to work with energy market bodies on a mechanism for use in their jurisdiction;<sup>3</sup> and
- the application of the Interim Reliability Reserve (IRR) has been extended, with AEMO now permitted to enter into multi-year reserve contracts over the period to 1 July 2028 where a breach of the IRM is forecast prior to 31 March 2025.<sup>4</sup>

We recognise re-quantifying the overall benefits of the RRO is outside the scope of the review. However, given the above context, the AEMC should form a clear view on the role of the RRO and the extent to which the proposed change would support a higher level of reliability than would otherwise be achieved.

Origin will provide further comments on the operational aspects of the RRO as part of the separate review process. In general, it would be prudent to ensure the outcomes of that process (which may speak to the costs, and efficacy of the RRO more broadly) can inform the AEMC's review of the IRM. The AEMC should therefore consider whether there is a clear need to expedite the completion of this process such that the outcomes of the RRO review cannot be fully considered.

If you wish to discuss any aspect of this submission further, please contact Ben Hayward on 03 9067 3403.

Yours Sincerely,



Shaun Cole  
Group Manager, Regulatory Policy

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<sup>3</sup> Energy and Climate Change Ministerial Council, 'Meeting Communique', 24 February 2023, pg. 3.

<sup>4</sup> AEMC, 'Review of the Interim Reliability Measure – Draft Report', 9 March 2023, pg. 2.