



5 July 2011

Mr John Pierce
Australian Energy Market Commission
Level 5
201 Elizabeth Street
Sydney NSW 2000

Dear Mr Pierce

EPR0026 - Review of Arrangements for Compensation following an Administered Price, Market Price or Market Floor Price

Origin Energy Limited (Origin) welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC's) Issues Paper for the Review of Arrangements for Compensation following an Administered Price, Market Price or Market Floor Price.

This Review is important in ensuring that arrangements for compensation following an Administered Price Period work effectively. Compensation plays a valuable role in assisting market participants to supply energy and other services during an Administered Price Period. Origin supports the scope of issues identified by the AEMC.

We consider, however, that the AEMC has overlooked an important issue for this Review. The current arrangements are not effective at managing the risk exposure for retailers in cases where compensation is awarded. The current framework is unclear on how retailers (as Market Customers) can recover compensation amounts from their own customers. Without a clear pass through mechanism, retailers have an exposure to any future compensation claims; they have no control over the quantum of compensation awarded.

Given one of the objectives for the compensation arrangements review is to assess the effectiveness of the current arrangements, Origin considers this assessment needs to look at all aspects of the process - from deciding to apply for compensation to the recovery of any awarded compensation. The issue around classifying the compensation recovery amounts is broader than characterised by the AEMC in its final report on Synergen Power's compensation claim; the matter encompasses more than AEMO including a separate line item on its participant invoices (as was the case for the Synergen Power compensation claim).

The classification of AEMO fees determines the ability for retailers to pass those costs through to customers. As Administered Pricing is a risk management mechanism designed to protect customers, it is inefficient to impose the final cost of compensation onto retailers, who already have market incentives to manage their market exposure. We encourage the AEMC to investigate this broader issue while it considers the effectiveness of the current framework.



If you have any questions or would like to discuss this submission, please call Hannah Cole (Regulatory Policy Manager) on 02 8345 5500.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Tim O'Grady".

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