



10 February 2011

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

Dear Mr Pierce

**ERC0117 - Application of Dual Marginal Loss Factors Consultation**

Origin Energy Limited (Origin) welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC's) consultation on the application of dual marginal loss factors (MLFs).

Origin supports the Rule change to allow the application of dual MLFs as a means of avoiding inefficiency in the dispatch process. An efficient dispatch process facilitates more efficient pricing of electricity while also promoting efficient operational and investment incentives. We agree that the 30% net energy balance condition trigger is an adequate threshold for determining when to introduce dual MLFs.

We recommend that AEMO uses more than one year's worth of data to determine whether or not a connection point meets the threshold trigger to introduce dual MLFs. The concern we have with AEMO's current proposal is extreme weather conditions or other unexpected events in a single year may unintentionally meet the 30% trigger. This could result in a participant having a year-on-year change between having one or dual MLFs. Such fluctuations create uncertainty and are difficult for businesses to manage. Reviewing a longer period of historical data can allow a better overview of enduring conditions and help smooth out year-to-year variations. Origin suggests that the AEMC undertake some statistical analysis to help determine the optimal review time.

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

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Phil Moody".

Phil Moody  
Group Manager - Commercial, Analysis and Risk Services  
Energy Risk Management