



20 March 2014

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Mr Pierce

GRC0023: NATIONAL GAS AMENDMENT (STTM SETTLEMENT SURPLUS AND SHORTFALL) RULE 2014

Origin Energy Limited (Origin) appreciates the opportunity to comment on the Australian Energy Market Operator's (AEMO's) proposed Rule change in relation to the allocation of the Short Term Trading Market (STTM) settlement or shortfall.

The National Gas Amendment (STTM Deviations and the Settlement Surplus and Shortfall) Rule 2013 introduced a principle to guide the allocation of any settlement surplus or shortfall, namely that they should be allocated on the basis of deviations. AEMO has since found that this is inconsistent with its intended design outcomes. We understand this present Rule change proposal aims to rectify this by amending the principle to one that permits the allocation of settlement surpluses and shortfalls in a way that is equitable under all circumstances, while still supporting the original policy objective of "causer pays".

AEMO's Rule change proposal notes that the design of the allocations for shortfalls is as yet undecided. Through AEMO's STTM Consultative Forum (STTM-CF), AEMO has suggested that shortfalls should be allocated on the basis of withdrawals. However, there are two views held: some participants prefer that shortfalls are allocated on the basis of withdrawals, while others prefer that they are allocated on the basis of deviations.

Origin considers the changes to the STTM deviation pricing and the associated allocation of settlement surpluses and shortfalls as a step towards further, more beneficial STTM market reforms. As such, we support the proposed Rule change and will continue to engage with AEMO and other market participants to establish the appropriate methodology to allocate settlement surpluses and shortfalls.

Our intention is that once this design feature has been agreed and implemented, discussions in AEMO's STTM-CF can turn to further market changes aimed at developing daily settlement and balancing arrangements in the STTM. Currently in the STTM, the risk of operating on a particular day is not restricted to the commodity price on that day as there are various market prices associated with trading gas in the hub that day that are referenced to other days. Origin strongly supports improving current arrangements so that each gas day is self-contained and therefore participants are able to manage risk on a single day without reference to other days. This could be facilitated by developing daily settlement and balancing arrangements that would then allow all market and deviation changes to be referenced to these daily prices.

Should you have any questions or wish to discuss further any detail of this submission, please contact Lillian Patterson on lillian.patterson@originenergy.com.au or (02) 9503 5375.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "K. Robertson". The signature is written in a cursive style with a horizontal line at the end.

Keith Robertson
Manager - Regulatory Policy