



13 October 2016

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

Submitted online: www.aemc.gov.au

Dear Mr Pierce

Demand Response Mechanism and Ancillary Services Unbundling – Draft Determination

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on the Australian Energy Market Commission's (AEMC) Demand Response Mechanism (DRM) and Ancillary Services Unbundling Draft Determination.

Origin is supportive of the AEMC's Draft Determination and strongly agrees with the rationale for opposing the implementation of a standardised DRM in the National Electricity Market (NEM). While it is important to ensure market frameworks continue to facilitate competition in the provision of such products and services, the AEMC's analysis demonstrates existing market structures are robust and that further regulation is both unnecessary and not in the long-term interests of consumers.

The DRM and ancillary services unbundling rule change was first proposed in 2012 with a view to addressing barriers to efficient demand side participation by large customers in the NEM. The underlying premise for the proposal is that the present level of demand response in the market is not sufficient and below some optimal level. This is despite the fact no specific market failure had actually been identified.

The AEMC's first principles assessment of demand side participation in the NEM provides important context in this regard. As noted in the Draft Determination, demand response can and is happening in the NEM – there are at least 21 businesses capable of providing a variety of products and services. Further, there are no barriers to the continued proliferation of demand response, with the range of products and services available likely to increase and extend to small customers as the market reforms initiated by the Power of Choice (PoC) review begin to take effect from 1 July 2017.

It is clear therefore, there is no material market failure that would prevent current arrangements from delivering the benefits identified as arising from the DRM. Coupled with the costs associated with its implementation, the AEMC's finding that there is no basis for implementing the DRM is appropriate. It is also consistent with earlier analysis undertaken by Oakley Greenwood which was decisive in highlighting the absence of any net benefits if the DRM was adopted.

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 blue ink, consisting of a series of connected loops and a vertical line at the end, resembling the name 'Steve Reid'.

Steve Reid
Manager Wholesale Regulatory Policy