

16 October 2007

John Tamblyn, Chairman
Australian Energy Market Commission
Level 16, 1 Margaret Street
Sydney NSW 2000

By email: submissions@aemc.gov.au

Dear John,

MACQUARIE GENERATION PROPOSAL ON SPLIT SNOWY REGION DRAFT DECISION

Origin Energy Ltd (Origin) appreciates this opportunity to respond to the Draft Determination made by the Australian Energy Market Commission (the Commission) in relation to the Macquarie Generation Split Region Rule Change Proposal (the MacGen Proposal).

Origin notes this proposal seeks to address the same issue as the recent Snowy Hydro Ltd Rule Change Proposal, in respect of which the Commission recently made a Final Determination. We also note that the counterfactual in this Determination was in fact the Split Region option now being put forward by MacGen. The Commission found in favour of the Snowy Hydro proposal because it addressed congestion within the Snowy region in a way that best balanced dispatch efficiency against interregional trading risks. This was considered to be good for competition in the NEM.

The Split Region option, in contrast, focused on dispatch efficiency at the exclusion of trading risk. Indeed it ignored the critical feedback loop of any increase in trading risk on Snowy Hydro's own dispatch and contracting incentives and, as a consequence, competition more generally in the NEM. This issue was discussed at length by the Commission in its Final Determination on the Snowy proposal, and identified by Origin and others in submissions.

For the same reasons Origin considers the MacGen proposal should now also be dismissed, and indeed any failure to do so by the Commission would generate a highly inconsistent outcome in respect of its earlier Final Decision on the Snowy Hydro proposal. The regulatory uncertainty this would create for participants would seriously undermine the integrity of the market.

If you wish to discuss any of these matters further please do not hesitate to call Con van Kemenade on 02 8345 5278

Yours Sincerely,

A handwritten signature in black ink, appearing to read "D Barnes", written over a circular scribble.

Dennis Barnes
General Manager
Energy Risk Management