16 July 2020

Merryn York
Acting Chair
Australian Energy Market Commission

Lodged online: www.aemc.gov.au

Dear Mr Pierce

**AEMC: CONSULTATION PAPER ON COMPENSATION FOR DIRECTIONS FOR OTHER SERVICES**

Origin Energy Limited (Origin) welcomes the opportunity to provide comments to the rule change proposal submitted by the Australian Energy Market Operator (AEMO) on the process for determining compensation following directions for services other than energy and market ancillary services.

AEMO's rule change request is narrowly focussed on the administrative cost for the market operator in evaluating compensation. However, we consider there are wider issues with the current process that should be examined as part of the rule change.

The existing approach requires an independent expert to develop a Fair Payment Price to determine the level of compensation. This mechanism has a potential for inconsistency and there is a lack of transparency in what factors could be considered by the independent expert. Origin therefore supports the assessment criteria in the consultation paper to examine the issues more broadly.

Origin considers that the determination of compensation available to a generator or battery directed to cease exports due to system security, should include opportunity costs. At times of high market prices, a generator that receives such a direction will not be able to defend its contracted position and thus potentially incur substantial financial losses.

We recognise that generators do not receive compensation when constrained off by NEMDE. However, directions to cease export differ from constraints as they are less predictable as they are generally needed in response to unforeseen system limitations. This leads to risks for market participants that are difficult to manage.

Should you have any questions or wish to discuss this submission further, please contact Alex Fattal via email at alex.fattal@originenergy.com.au or phone, on (02) 9375 5640.


Yours sincerely

Steve Reid
Group Manager, Regulatory Policy