



29 May 2017

Roger Shaw  
Market Enhancement – Regulatory  
Australian Energy Market Operator  
530 Collins Street  
Melbourne VIC 3000

Submitted by email: [GWCF\\_Correspondence@aemo.com.au](mailto:GWCF_Correspondence@aemo.com.au)

Dear Mr Shaw

### **Proposed Procedure Change – Wholesale Market Administered Pricing Procedures (Victoria)**

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on the Australian Energy Market Operator's (AEMO) proposed changes to the Wholesale Market Administered Pricing Procedures.

The market price cap (i.e. value of lost load), cumulative price threshold (CPT) and administered price cap settings play an important role in the declared wholesale gas market (DWGM). Collectively, they establish the price envelope within which gas supply and demand is balanced in the market as well as the level of financial risk for market participants.

To this end, Origin is supportive of modifying the Retailer of Last Resort (ROLR) administered price period trigger with a view to ensuring administered pricing periods are only triggered when the cumulative market share of any failed retailer(s) is significant. Such an approach will improve the risk profile for market participants and avoid unnecessary market intervention. But further consideration should be given to the proposed implementation of an administered pricing trigger related to material curtailment in the DWGM.

While Origin understands the overall rationale for the reform (i.e. it is intended to limit the level of pricing risk faced by market participants), we are mindful of any resultant impact on market price signals. In particular, the proposal may actually reduce incentives for market participants to address supply shortfalls during material curtailment periods, with electricity/gas price relativities strongly influencing where gas is ultimately directed by market participants. Recent increases in the CPT and market price cap in the National Electricity Market (NEM) are worth noting in this regard.

In light of the above, Origin believes a broader review of price setting arrangements and market parameters in the DWGM is necessary to ensure they remain fit for purpose (i.e. they limit financial risk for market participants while simultaneously allowing the market to send appropriate price signals in support of reliability of supply). Further, a periodic review mechanism similar to that used in the NEM should also be established.

If you wish to discuss any aspect of this submission further, please contact Shaun Cole at [shaun.cole@originenergy.com.au](mailto: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