



7 September 2018

Dr Kerry Schott  
Independent Chair  
Energy Security Board

Submitted by email: [info@esb.org.au](mailto:info@esb.org.au)

Dear Dr Schott

### **National Energy Guarantee Reliability Requirement – Pre-conditions Options Paper**

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on the Energy Security Board's (ESB) National Energy Guarantee Reliability Requirement – Pre-conditions Options Paper.

The ESB's Final Detailed Design of the Reliability Requirement provides a workable framework. However, the additional pre-condition options currently under consideration risk undermining this framework and ultimately increasing the compliance burden for retail businesses for no material benefit.

A key element of the final design is the dual trigger mechanism, which requires a shortfall (in year T) to be identified and independently verified at T-3 and T-1 prior to any compliance obligation taking effect. Such an approach provides retail businesses with sufficient notice to respond to a potential shortfall. It also ensures retailers are not liable for events they could not have foreseen and therefore responded to in any material way, noting the Reliability and Emergency Reserve Trader (RERT) is designed to protect against such events.

Consistent with this, Origin does not support revisions to the Reliability Requirement framework that would undermine/remove the dual trigger mechanism. This includes:

- allowing the National Electricity Rules (NER) to specify circumstances under which liable entities would be obliged to submit their contract position at T-1 without a T-3 determination being required;
- removing the T-3 determination; and/or
- introducing Ministerial powers to make a T-1 reliability instrument for their region at any stage, with three months' notice and no oversight from the Australian Energy Regulator.

Of the above options, the introduction of Ministerial powers would create significant regulatory risk for retail businesses, an outworking of which may be inefficient levels of contracting and additional costs for consumers. The absence of any independent oversight when triggering the reliability requirement is also inconsistent with the prudent governance structure recommended under the Final Detailed Design.

One other alternate option proposed in the Consultation Paper is the inclusion of an additional trigger at T-5. Given the level of uncertainty associated with supply/demand forecasts over longer time periods, Origin does not believe this option provides any additional benefit relative to the Final Detailed Design. As discussed above, we also remain of the view that three years provides sufficient lead time for retail businesses to respond to a potential shortfall.

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 strokes that form a stylized, somewhat abstract shape.

Steve Reid  
Group Manager, Regulatory Policy