



5 April 2019

Mr Peter Adams
General Manager, Market Performance
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Submitted via email: noticeofclosure@aer.gov.au

Dear Mr Adams

AER: GENERATOR NOTICE OF CLOSURE EXEMPTION GUIDELINE

Origin Energy Limited (Origin) welcomes the opportunity to provide feedback on the Australian Energy Regulator's (AER) consultation on guidelines for generator exemptions to the three-year notification of closure rule. Our main views on the issues discussed are outlined below.

Information to be provided by the generator

We agree with most of the categories of information that a generator would be required to provide when seeking an exemption, as set out in the Consultation Paper. This includes the rationale for seeking the exemption, accompanied by supporting evidence. However, we do not consider it necessary (or practical) that a generator should be required to demonstrate *consideration of the reliability implications of the generator's closure*. It is not clear what information a generator could supply about the reliability impact of its closure which is not already in the public domain. For example, a generator's capacity and historical operational profile are well known to other participants and market bodies. Additionally, the outlook for reliability is already documented by the Australian Energy Market Operator's Electricity Statement of Opportunities.

Procedure for handling the application

We propose that the guideline could outline the following process for assessing a request for an exemption:

- The market is informed of the application when it is received.
- The AER should deliver its draft decision within six weeks of the application.
- The draft decision should be subject to public consultation for a period of three weeks.
- The AER would then have three weeks to provide its final decision.

Any application from a generator for an exemption is likely to include commercially sensitive information relating to the generator's technical operating specifications or financial arrangements. This information should remain confidential and not made public.

Factors and criteria to consider for an exemption application

Origin suggests that the guideline should set out a sliding scale for the AER to use when assessing any request for exemption. Our proposed sliding scale is set out below.

- a) The primary consideration should be the reasonableness of the generator's request. The AER should automatically grant an exemption if it considers that there has been an unforeseen circumstance or event outside the generator's reasonable control that would cause it close early.

This is consistent with the rationale for an exemption laid out by the AEMC in its final rule determination. While we agree that it is difficult for the guideline to set out all the possible circumstances that would pass this reasonableness test, it should include some examples. This will help to provide greater clarity around the AER's likely approach in considering exemption requests.

- b) If the AER considers there is insufficient evidence to grant an automatic exemption under criteria (a), it could then consider the extent of the economic hardship the generator would endure if it is required to comply with the original closure date. Requiring a generator to continue to operate where it faces significant financial distress could have flow on effects for the market.
- c) If the AER does not consider it appropriate to grant an exemption based on the failure to satisfy criteria (a) or (b) it could then look at the reliability impact of the generator closing early. If for example the generator's early closure is expected to have a minimal impact on reliability, an exemption could still be granted.

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

Yours sincerely



Steve Reid
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