



**EnergyAustralia**

LIGHT THE WAY

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Causer Pays Procedure Consultation Team

Lodged electronically: [CauserPaysConsultation@aemo.com.au](mailto:CauserPaysConsultation@aemo.com.au)

EnergyAustralia Pty Ltd  
ABN 99 086 014 968

Level 33  
385 Bourke Street  
Melbourne Victoria 3000

Phone +61 3 8628 1000  
Facsimile +61 3 8628 1050

[enq@energyaustralia.com.au](mailto:enq@energyaustralia.com.au)  
[energyaustralia.com.au](http://energyaustralia.com.au)

### **AEMO, Causer Pays Procedure Consultation – Issues Paper, 5 December 2016**

EnergyAustralia is one of Australia's largest energy companies with over 2.5 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. We also own and operate a multi-billion dollar energy generation portfolio across Australia, including coal, gas, and wind assets with control of over 4,500MW of generation in the National Electricity Market.

We welcome the opportunity to make a submission to the Australian Energy Market Operator's (AEMO) consultation on the Causer Pays Procedure Issues Paper.

EnergyAustralia supports the principles that AEMO has applied in developing the Causer Pays issues paper (the Paper). We therefore generally accept the arguments put forward by AEMO regarding the preferred options. One exception relates to the importance of the end-to-end timeliness and recommendation of a seven-day sample period, as discussed below. In addition we consider that the current 28-day sample and application period, when compared to the proposed 7-day sample and application period, will result in reduced volatility, fewer market distortions, and does not require changes to current AEMO and participant processes.

We agree that real-time factors are not appropriate, based in part on the perverse incentives these would create in the Energy Market. As outlined by AEMO in the Paper, these incentives could result in units withdrawing capacity from the energy market to manage exposure to high regulation FCAS prices. This would increase overall costs to supply energy to consumers and not be consistent with the National Electricity Objective.

Currently a participant's causer pays factor for a particular 28-day period (application period) is calculated based on performance over a historical 28-day period (sample period). AEMO suggests in the Paper that moving to a 7-day sample and application period would ensure that performance in the sample period is more representative of performance in the application period due to increased timeliness. We consider that the following negative effects will outweigh the benefits of a shorter timeframe:

- Moving to a shorter sample period will introduce volatility to the causer pays factors due to factors being calculated from smaller samples

- Where high FCAS prices are forecast, a shorter sample period will more easily allow participants to alter their behaviour in the short term to gain an improved factor, without providing an incentive for longer term behavioural change to reduce factors in a more enduring fashion.
- A move from the status quo will require changes to AEMO and participant processes

EnergyAustralia therefore supports retention of the current 28-day sample period which provides incentives for consistent good performance, results in a more representative causer pays factor applied during an application period, and does not require changes to current processes.

If you would like to discuss this submission please contact me on 03 8628 1393.

Regards

Chris Streets  
Industry Regulation Lead