



12 November 2021

Nicola Falcon
General Manager, Forecasting
Australian Energy Market Operator (AEMO)

Submitted via email: ISP@aemo.com.au

Dear Ms Falcon,

**AEMO'S DRAFT COMPETITION BENEFITS INPUTS, ASSUMPTIONS AND METHODOLOGY –
CONSULTATION PAPER**

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on AEMO's draft inputs, assumptions and methodology for modelling competition benefits in the Integrated System Plan (ISP).

We acknowledge that modelling competition benefits can be complex and computationally demanding and that some simplifications need to be made. However, to include competition benefits in the draft ISP, AEMO needs to be satisfied that its methodology is robust to ensure the integrity of the analysis.

Origin makes the following specific comments:

- Origin considers that the proposed approach to modelling bidding behaviour in the NEM is overly simplified and runs the risk of undermining the analysis. While we understand the rationale for doing so, the primary focus on baseload plant does not take into account the rapidly changing technology mix and new patterns of generation. Additionally, the impact of the recent introduction of five-minute settlement on bidding behaviour is yet not well understood, adding to the challenges of undertaking a modelling exercise of this nature. While noting that AEMO now considers it a good time to include competition benefits in the ISP, it should only do so if the approach is sound.
- The methodology proposes using a single aggregate number (-0.05) for elasticity of demand to wholesale price. AEMO should set out the reasons for choosing a single number given that elasticity of demand to wholesale price can vary and that using multiple elasticities is likely to improve the accuracy of the analysis.

Should you have any questions or wish to discuss this submission further, please contact Sarah-Jane Derby at Sarah-Jane.Derby@originenergy.com.au or on (02) 8345 5101.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Steve Reid".

Steve Reid
Group Manager, Regulatory Policy