



25 November 2013

Ms Jacqui Thorpe
Acting General Manager
Retail Markets Branch
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

By e-mail: AERInquiry@aer.gov.au

Dear Ms Thorpe

Regulation of alternative energy sellers under the National Energy Retail Law- Issues Paper

Origin Energy welcomes this opportunity to respond to the Australian Energy Regulator's (AER's) issues paper on the regulation of alternative energy sellers. We have previously responded to the AER's related consultations on exempt network authorisations under the National Energy Consumer Framework (NECF) and related instruments.

We do not believe the NECF (in those jurisdictions where it is implemented) is well suited to the task of regulating alternative energy sellers and the growing number of emerging business models that are closely related to the sale of energy. The consumer protection regime for unregulated businesses is essentially limited to Australian Consumer Law and Privacy Act. Furthermore, the AER will only be aware of those businesses who apply for an exemption from authorisation; some alternative energy sellers are active in the market at present but have not sought exemptions from being authorised.

Origin believes the approach the AER should adopt to the authorisation or granting of exemptions to alternative energy sellers requires careful consideration of the purpose of authorising or exempting these applicants and whether the National Electricity Objective (the NEO) is best served if exemptions are granted (or limited authorisations made) allowing the dilution of consumer protections relative to the situation applying to customers supplied by authorised participants.

While customers may retain access to conventional energy supply through an authorised retailer, it is clear that some alternative energy sellers will be marketing products that go far beyond incidental energy supply and in some cases will provide the vast majority, if not all, of a customer's energy needs. While this innovation is welcome in a competitive market place the existing framework does not seem adequate to manage issues that may arise under such alternative energy selling models.

For example, if a customer failed to make repayments on an embedded generator and associated battery storage and had their system repossessed, would the primary (authorised) retailer be expected to manage issues such as:

- Bill shock - there could be some difference between the low-priced embedded generation, free of network charges and the prevailing retail prices applying when the customer once again takes the majority of their supply from the distribution network;
- Customer complaints that they may no longer have access to a feed-in tariff (if applicable) from their embedded generator;
- Helping the customer understand that the alternative energy seller's product was supplementary from a regulatory point of view and therefore not subject to the same guarantees as standard electricity supply;

- The tariff type that may apply- the ending of a PPA may significantly change the customer's consumption characteristics, which could result in a network and retail tariff reassignment.

These matters would need to be managed by an authorised retailer and/or distributor. The alternative energy seller would not be obligated under NECF or other energy-specific regulation to play a role in this respect; their responsibilities would end with Australian Consumer Law, privacy legislation and the contract held with the customer.

Without consumer protections specific to the energy market requiring some level of authorisation, alternative energy selling models may result in:

- The potential for customer confusion on a move out or termination of an agreement;
- Additional costs for authorised participants, which may increase costs for other network consumers (large and small);
- Increased hardship costs for retailers and demand for government concessions;
- The distortion of competition through limited compliance costs on some suppliers, but not on others.

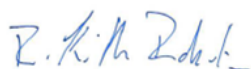
While Origin agrees that the full suite of conditions associated with authorisation are unlikely to be practical or appropriate for a range of alternative energy selling models (just as they are not for some on-selling and embedded network business models), exemptions from authorisation will reduce transparency in the market (for regulators, policy makers and other stakeholders) and customers may not be fully aware of the nature of their own consumption pattern or its overall cost.

As such, the test for exemption/authorisation applying to alternative energy sellers at present does not have the sophistication necessary to consider the range of obligations that may apply to alternative selling arrangements.

While Origin understands that the AER is tasked with assessing imminent applications from alternative energy sellers seeking exemptions from authorisation, there is a need for stakeholders to urgently consider an appropriate framework to assess the provisions that should be included in authorisations or exemptions covering alternative energy selling activities. It is our view that this sector of the energy market will grow and diversify in the medium term. Without a thorough examination of what the authorisations framework would seek to achieve given such change, there is a risk that the small customer energy market will be increasingly defined by customers with access to conventional consumer protections, and those covered by an inferior set of protections.

Origin would support the AER holding a public stakeholder forum in Melbourne and would seek to participate. Should you have any comments on this response, please contact David Calder on (03) 8665 7712 in the first instance.

Yours sincerely



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