



26 June 2017

Mr Chris Pattas
General Manager – Networks
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3000

Email: ringfencing@aer.gov.au

Dear Mr Pattas

CitiPower/Powercor Ring-fencing Waiver Application

Origin Energy (Origin) appreciates the opportunity to provide input into the Australian Energy Regulator's (AER) assessment of an application for ring-fencing waiver submitted by CitiPower and Powercor.

One of the key objectives of ring-fencing is to create an environment where competitive and potentially competitive markets are not compromised by the participation of a regulated distribution network. In some instances, the market may not be obvious because it is emerging or immature. What is important is that a level playing field exists to allow markets to mature and grow. Therefore, caution must be exercised in allowing regulated businesses to participate in competitive supply activities beyond their network boundaries. To do otherwise will raise doubts with smaller operators whether they are able to compete on a fair and equal basis. This will erode confidence in new entry and ultimately lessen competition in any emerging market.

For these reasons, granting a regulated business a waiver from the requirements of ring-fencing should not be taken lightly.

Origin considers that the ring-fencing guidelines establish clear obligations with respect to a waiver application. These include identifying the cost to the DNSP of complying with the obligation subject to waiver. This is necessary to establish the materiality of the application and the foundation for which a judgment of the cost/benefit can be made.

The CitiPower/Powercor application does not include sufficient information to allow stakeholders or, in our view, the AER to make a fully informed decision.

We believe it is essential for the AER to establish firm information requirements for any application for waiver. We encourage the AER to require CitiPower/Powercor to provide the costs of compliance in a format that is verifiable. This in turn will allow stakeholders to understand the materiality of the application and to better understand the impact of any expansion or presence of CitiPower/Powercor in those markets.

In addition, Origin has a number of specific comments relating to metering.



Metering

CitiPower/Powercor have applied to the AER for a ring-fencing waiver with respect to the collection of meter data, processing and storage of meter data, and provision of access to meter data for type 1-4 metering installations (excluding smart meters).

In March 2017, the Victorian Government determined to defer the adoption of metering competition in Victoria and for electricity distributors to remain responsible for metering services for all small customers until at least 1 January 2021, and for the Victorian smart metering specifications to remain in place. Under arrangements to support continued exclusivity of metering provision by distributors, Orders in Council are being prepared by the Department of Environment, Land, Water and Planning to continue classifying all current and future (for example new connections) advanced metering as type 5 meters.

As a result, there are no meters classified as Type 4 meters in place for small customers in Victoria, with the exception of those where a retailer has historically been the financially responsible market participant and continues in this role. On that basis we do not consider there is a need for a ring-fencing waiver with respect to Type 4 meters.

With respect to Types 1-3 meters, these are currently a contestable activity and not provided by the regulated business. In this regard, we see no reason why a waiver is required for activities associated with meter Types 1-3.

Summary

Origin considers that a waiver from the requirements of ring-fencing should not be taken lightly. The onus must be on the applicant to provide sufficient information to allow stakeholders to make an informed judgement around both the materiality and cost/benefit of the service in question.

We believe that the CitiPower/Powercor application does not meet this expectation. We therefore encourage the AER to require CitiPower/Powercor to provide the costs of compliance in a format that is verifiable.

For these reasons we do not support the application for waiver based on the information provided.

Closing

If you have any questions regarding this submission please contact Sean Greenup in the first instance on (07) 3867 0620.

Yours sincerely

A handwritten signature in blue ink that reads "Keith Robertson".

Keith Robertson
Manager, Wholesale and Retail Regulatory Policy
(02) 9503 5674 keith.robertson@originenergy.com.au