



13 November 2017

Mr Chris Pattas  
General Manager – Network Investment and Pricing  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3000

Dear Mr Pattas

**RE: RING-FENCING WAIVER APPLICATIONS**

Origin Energy (Origin) appreciates the opportunity to provide input to the Australian Energy Regulator's (AER) assessment of applications for ring-fencing waiver submitted by a number of distribution network businesses (DNSP) under clause 5.2 of the Electricity Ring-fencing Guideline.

The AER has largely granted the applications for waiver sought by the DNSPs on the basis that that the benefit to electricity consumers of DNSPs complying with the Guideline without a waiver, is likely to be outweighed by the costs they may incur in doing so. In making its assessment, the AER considered that detailed quantitative analysis was not always necessary for ring-fencing decision making.

Origin accepts that some of the waiver applications are less sensitive to the provision of contestable services than others and for this reason not all applications need to be supported by the same level of evidence. However, we remain of the view that a decision on the benefits and costs to consumers must not be asserted but demonstrated; it is the degree of that demonstration not the requirement which is relevant. It is imperative that a high standard is set, especially at the outset of the ring-fencing compliance regime.

Furthermore, the AER noted that ring-fencing is a new obligation. Origin does not agree with this assertion. Origin understands that the AER assumed responsibility for administering the ring-fencing guidelines from jurisdictional regulators in 2010. For most jurisdictions, ring-fencing obligations have been in place since 2000. We also understand that the obligation on the DNSPs to maintain ring-fencing compliance has not ceased over this period.

While we recognise that in many respects the AER's Guideline imposes a more rigorous standard of separation than set out in many of the jurisdictional obligations, the DNSPs should have nevertheless maintained a certain standard of ring-fencing compliance including processes and procedures to support the allocation of cost, sharing of information and, in some instances, legal separation to meet these ongoing jurisdictional obligations.

For these reasons, we believe that the DNSPs should be well placed to provide evidence based waiver applications. As we have stated, while the depth of supporting information may vary depending on the materiality of each application, the requirements of Section 5.2 of the Ring-fencing Guideline must be met.

With respect to specific decisions, we consider a conditional waiver in regional Queensland that enables Ergon to use Mareeba and Charters Towers as Regional Offices in front of the connection point is a pragmatic decision. In addition, we also support the reduction in the obligation on Energex and Ergon to have separate branding for staff performing unclassified and other distribution services from 7 years to 2 years as appropriate.

*Closing*

We accept that there are a number of services subject to waiver application that may be uncontentious. Notwithstanding, as the first applications for waiver under the AER's revised Guideline, we believe that it is essential that the AER set a strong precedent around the evidentiary obligations on a DNSP regarding the content of an application and also the manner in which the AER undertakes its assessment. We believe that this has not been achieved in all instances.

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, appearing to read "R. Keith Robertson".

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