



14 July 2023

Australian Energy Market Commission
GPO Box 2603
SYDNEY NSW 2000

Lodged electronically: aemc@aemc.gov.au

Reference: ERC0349

Dear Sir/Madam,

RE: Submission to AEMC Concessional finance for Transmission Network Service Providers, Consultation paper

Origin Energy (Origin) appreciates the opportunity to provide a response to the Australian Energy Market Commission's (AEMC) Concessional finance for Transmission Network Service Providers (TNSPs), Consultation paper.

Origin considers that the AEMC proposed approach to sharing the benefits of concessional finance with consumers i.e., via an amendment to the National Electricity Rules (NER), is appropriate and is both effective and straightforward.

Origin agrees that the NER should be amended to explicitly recognise concessional finance and clarify the treatment of benefits (including sharing arrangements between the TNSP and consumers) from concessional finance. In principle, the regulatory framework should allow the Australian Energy Regulator (AER) to quantify the benefits of concessional financing and allow these gains to be shared with electricity consumers through lower transmission use of system charges.

TNSPs should be required to inform the AER about the existence of any concessional finance arrangements and provide the AER with the information it requires to determine the purpose of the funding and the allocation of benefits between the TNSP and consumers. Further, the AER should be required to confirm with the Government funding body that benefits are being returned to customers/TNSPs as intended and the method for passing benefits through to customers is appropriate.

While we agree that benefits of concessional finance can be transferred to customers via a capital contribution or an adjustment to the revenue allowance, we require more details of the application of each approach before identifying a preferred option. We expect the AEMC to assess the options prior to the release of the draft determination to ensure there are no unintended impacts and assist in the identification of a preferred option.

Origin's response to questions identified in the paper are set out below at Attachment A.

Attachment A

1. The regulatory treatment of concessional finance	
Do you agree that the Rules need to recognise concessional finance to share benefits with consumers?	Given the NER do not explicitly recognise the treatment of concessional finance, we agree that additional guidance is required to clarify the treatment of benefits (including sharing arrangements between the TNSP and consumers) from concessional finance.
2. Responsibility to inform the AER about the existence of a concessional financing arrangement	
Do you agree that the TNSP should notify the AER about the existence of a concessional finance arrangement?	<p>We support the proposal requiring TNSPs to inform the AER of the existence of a concessional finance arrangement.</p> <p>We consider that the AER should not be restricted from confirming the purpose of the funding from the funding body, including the allocation of benefits between the TNSP and consumers.</p>
3. What types of information about the concessional finance arrangement should be provided to the AER and by whom?	
Do you agree with the types of information that should be provided to the AER, as detailed in the rule change request, and that the TNSP be required to provide the information?	<p>Origin agrees with the information requirements proposed by the AEMC. The NER should specify that the TNSP is required to provide the required information to the AER.</p> <p>We consider, however that the AER's information access should not be limited, and that the AER should be empowered to obtain any additional information from either party to the arrangement.</p>
4. How the AER confirms the intent of the concessional finance and the method(s) through which the AER can treat the concessional finance benefits	
Do you agree that the AER should confirm the amount to be treated as a benefit to consumers and/or TNSPs with the TNSP and the GFB?	<p>Origin agrees that the regulatory framework should allow the AER to confirm with the TNSP and the funding body the intent of the concessional finance, including:</p> <ul style="list-style-type: none"> • Whether consumers and/or the TNSP are intended to benefit from some or all of the concessional finance, and • The proportion of the concessional finance benefit attributable to each party. <p>In principle, Origin considers that the entirety of the concessional financing benefit should flow through to consumers, except where otherwise transparently and publicly stated by the financier.</p>

<p>Do you agree that this amount should be treated as either a capital contribution and deducted from the RAB or as a MAR adjustment? Do you prefer one method over another? Why?</p>	<p>The benefits from concessional finance should flow to consumers through a reduction in network charges. We agree with the AEMC that this can be achieved by either a capital contribution (and subsequent reduction to the RAB) or a reduction to the maximum allowable revenue (MAR).</p> <p>We note that the capital contribution method appears simpler to implement, with a one-off adjustment to the RAB and a benefit to customers received over the chosen asset life. Alternatively, the revenue reduction approach requires consideration of the time period for passing benefits to consumers.</p> <p>Origin does not have sufficient information to determine a preferred method at this time. Any assessment of the approach to sharing benefits with customers requires a thorough understanding of the associated application and assumptions. We expect the AEMC to conduct further consultation on the topic.</p>
<p>Do you see any issues with treating some or all of the benefits as either a capital contribution or as a revenue adjustment?</p>	<p>The revenue adjustment method requires consideration of the length of time over which benefits are provided to customers. This may add unnecessary complexity and subjectivity to the process. We request further details on the application and assumptions associated with each approach.</p>
<p>Do you agree the AER should be required to seek submissions from the government funding body:</p> <ul style="list-style-type: none"> • To ensure benefits are passed on to customers and/or TNSPs as intended, and • To determine whether they intended that some or all of the benefit of the concessional finance be treated as a capital contribution or a MAR adjustment, if required? <p>If not, how should the AER confirm intent and treatment of consumer benefits?</p>	<p>We agree that the AER should be required to confirm with the funding body that benefits are being returned to customers/TNSPs as intended and how consumer benefits should be treated.</p> <p>It may also be an option for the AER to adopt an ex-post assessment to ensure that TNSPs have passed on the benefits of concessional finance as intended. As part of that assessment, TNSPs should be required to demonstrate how concessional finance has reduced costs for consumers and the amount.</p>
<p>5. Proposed solution</p>	
<p>Do you think the proposed solution is the most appropriate way to share benefits of concessional finance with consumers, or is there another more effective solution that could be implemented (including non-rules based solutions)?</p>	<p>The proposed solution appears to adequately address the sharing of concessional finance benefits with consumers, providing the AER with the necessary powers under the NER to gather relevant information and facilitate the regulatory treatment of the benefits.</p>
<p>Do you think the proposed solution:</p> <ol style="list-style-type: none"> a. is targeted, fit for purpose and proportionate to the issues it is intended to address? b. considers the broader direction of reforms in transmission infrastructure? c. provides for simplicity and transparency in regulatory arrangements? 	<p>The proposed solution is appropriate for the circumstances and appears relatively straightforward to implement.</p>

6. Costs and benefits of the proposed solution	
What do you think the direct and indirect costs and benefits of the proposed solution are likely to be? Are the costs likely to be proportionate to the problem they are intended to address?	The proposed solution improves transparency in the treatment of concessional finance and the sharing of benefits with consumers. We would expect costs to be minimal and primarily administrative.
7. Implementation considerations	
Do you have any suggestions regarding the commencement timeframe?	n/a
Are there additional measures that should be considered that would support the effective implementation of the desired solution?	n/a
8. Compliance and enforcement	
Do you have any feedback on the compliance and enforcement role proposed for the AER?	We consider that the proposal provides the AER with appropriate compliance and enforcement powers to confirm the TNSP's proposed treatment of the concessional finance benefits with the funding body.
9. Are there alternative solutions that would be preferable?	
Can you share any alternative solutions that you think would be preferable and more aligned with the long-term interests of consumers?	n/a
10. Assessment framework	
Do you agree with the proposed assessment framework?	The proposed focus areas are appropriate and consistent with accepted regulatory practice.

If you have any questions regarding this submission, please contact Gary Davies in the first instance at gary.davies@originenergy.com.au.

Yours sincerely,



Steve Reid
General Manager, Regulatory Policy