



4 October 2012

Richard Khoe  
Project Leader, Economic Regulation of Networks rule change proposal  
Australian Energy Market Commission  
Level 5, 201 Elizabeth Street  
Sydney NSW 2000

[by email]

Dear Mr Khoe

**RE: ECONOMIC REGULATION OF NETWORKS RULE CHANGE PROPOSAL DRAFT RULE DETERMINATION (ERC0134/ERC0135/GRC0011)**

Origin welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC) Draft Decision on the Economic Regulation of Networks.

As outlined in Origin's initial submission to the rule change proposal, we recognise that electricity and gas networks have legitimate requirements to upgrade ageing networks and meet growing peak demand; however, we have concerns that some investment in electricity and gas networks approved under the National Electricity and Gas Laws in recent years may not have been efficient. As such, we welcome the changes proposed by the AEMC. Network charges have increased dramatically and Origin has first-hand experience of the impact of these increases on customers.

Origin supports capital expenditure sharing schemes. We also support reviews of the efficiency of past capital expenditure whereby the AER can preclude inefficiently incurred expenditure from being rolled into the regulatory asset base.

Origin supports the AEMC amending the National Electricity Rules to clarify and remove any ambiguity regarding the powers of the AER to interrogate, review and amend capital expenditure and operating expenditure proposals. As outlined in our initial submission we strongly support greater use of benchmarking across distribution businesses. We therefore support the proposed requirement for the AER to publish annual benchmarking reports that set out the relative efficiencies of network service providers, including relative to networks outside Australia.

Origin notes the AEMC's finding that the NER currently do not place any restrictions on the analytical techniques the AER can use to scrutinise and, if necessary, amend or substitute the network's capital expenditure or operating expenditure forecasts. Origin supports the AEMC's proposal to remove any practical constraints in the NER on the way the AER may use benchmarking.

Origin notes the issue of information in network submissions being kept confidential where this may not be genuinely necessary. We agree with the AEMC that withholding information from third-party stakeholders weakens the rigour of the regulatory process. In our view information provided in support of revenue proposals for monopoly assets

should only rarely need to remain confidential, for example in relation to competitive third-party contracts. We note the AEMC's proposed rule change whereby networks would be required to nominate reasons why they seek to classify information as confidential, as well as the proposed requirement for the AER to make public the proportion of material that network service providers claim to be confidential.

It is unclear how these new confidentiality requirements will differ in practice from current arrangements. Network service providers currently state that material is confidential because it is "commercial in confidence". It is also largely clear from the appendices to network submissions under the current rules what portion is being kept confidential. We are not convinced that the proposed rule change will result in any less material being kept confidential than is currently the case. We would encourage the AEMC to consider introducing more stringent and specific requirements with respect to confidentiality.

If you have any questions regarding this submission please contact me in the first instance on (03) 9652 5555.

Yours sincerely

[SIGNED]

Steven Macmillan  
Regulatory Manager