



31 October 2017

Mr John Pierce
Australian Energy Market Commission
PO Box A2499
Sydney South NSW 1235

Lodged Online

RE: NATIONAL ELECTRICITY RULE AMEDNMENT: CONTESTABILITY OF ENERGY SERVICES

Origin Energy (Origin) appreciates the opportunity to provide input to the Australian Energy Market Commission's (AEMC) assessment of Rule change requests submitted by the COAG Energy Council and the Australian Energy Council to promote the contestable provision of energy services (ref ERC0206 and ERC0218).

Origin strongly supports the objectives of the AEMC that, as a general rule, the best outcomes are achieved when consumers make choices based on their own interests or values. In this regard, we consider that establishing appropriate rules around the participation of regulated network businesses in contestable market is essential to support customer driven market outcomes.

One of the key conclusions of the AEMC's Distributed Market Model project was that the market model should allow customers to optimise the value of their distributed energy resources (DER).

Both Rule change proponents sought tighter restrictions on networks providing DER services behind a customer's meter on the basis that under the current Rules networks could recover the costs of these services through their regulated charges thereby creating a potential competitive advantage over other market providers.

In making its assessment, the AEMC deemed that the Rule change proposals in their current form would achieve the separation of regulated from unregulated activities, however, they would also foreclose the value of network support services from DER. As a result, such a restriction would not allow customers to optimise the value of their DER.

In response, the AEMC has proposed a more preferable Rule to define DER as a "restricted asset" and to prevent networks from achieving a capital return on these assets.

We agree with the AEMC that the Rule change should not place a blanket prohibition on network participation in DER. We believe that defining DER as a "restricted asset" and preventing a capital but not operating return is an effective solution which fulfils the competing objectives of allowing customers to optimise their DER; networks to source DER for network support services; and separating regulated and unregulated activities.

However, while we support this aspect of the more preferable Rule, we retain our view that there is a case to lower the threshold for the RIT-D. Specifically, we consider that imposing a lower threshold would deliver greater transparency and scrutiny regarding how a network makes the trade-off between network and non-network investment solutions. This transparency is necessary to demonstrate that networks are adopting the most efficient investment decisions and are not biased by the apparent financial incentives provided by capital investment over operating expenditure.

In closing, we consider that the AEMC's preferable Rule represents an effective solution by allowing customers to optimise their DER while not limiting the ability of networks to procure DER for network support services. 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 'K. Robertson'.

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