

23 July 2020



Ms Merryn York
Acting Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2000

Email: aemc@aemc.gov.au

Dear Ms York,

RE: ERC0302 Directions Paper - Deferral of Network Charges Rule Change

Origin Energy appreciates the opportunity to provide a submission in response to the Australian Energy Market Commission's (AEMC) Directions Paper on the Australian Energy Regulator's (AER's) proposed Deferral of Network Charges Rule Change.

The AEMC sets out a number of proposals in relation to the eligibility and application of the AER's rule change request to defer the payment of some network charges for retailers. Of particular note, the AEMC proposes that any retailers registered as a Retailer of Last Resort and/or government-owned retailers will not be eligible to defer the payment of network charges under this rule.

Origin is supportive of measures aimed at providing relief for retailers during this difficult period. However, we have specific concerns with the current rule change proposal and the AEMC's proposed application of the initiative.

Firstly, as highlighted in our previous submission, while deferring network payments provides short-term cashflow relief for eligible retailers, the initiative is not sufficient to address the objective of avoiding retailer failure as a result of COVID-19. In particular, the (capitalised) network payments remain a future liability for retailers.

More importantly, the proposed rule does not address the greater threat to retailer viability – the anticipated increase in bad and doubtful debt as a result of COVID-19 and accompanying retailer obligations. While not directly part of the AEMC's assessment, it is imperative that regulators appropriately consider these costs as part of their respective retail price determinations.

Secondly, we consider that limiting the application of deferred network payments to a subset of retailers introduces a degree of arbitrariness and sets an unwanted precedent for targeted intervention. Targeted intervention can potentially distort the operation of the competitive market and lead to unintended outcomes. As a matter of principle, we consider that any support measures should be capable of being universally and consistently applied so as not to favour one participant over another and allow the market to operate as intended.

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

Yours sincerely

A handwritten signature in black ink, appearing to read "Sean Greenup".

Sean Greenup
Group Manager Regulatory Policy
sean.greenup@originenergy.com.au