



2 July 2014

Barbara Blake
Compliance Officer
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne VIC 3000

Via email: energy.submissions@esc.vic.gov.au

Dear Ms Blake

Consultation Paper—ESC Position Paper - Variations to Standing Offer Tariffs Following the Removal of the Carbon Price

Origin Energy (Origin) welcomes this opportunity to respond to the Essential Services Commission's (the Commission) consultation paper on "Variations to Standing Offer Tariffs Following the Removal of the Carbon Price".

Origin greatly appreciates the Commission's consideration of the regulatory issues related to repeal of the carbon price. The focus of the consultation paper is upon allowing retailers to implement a price variation due to the repeal the carbon price without regulatory impediment. However the delay in passing the proposed repeal legislation has created another important issue for retailers, which is the regulatory restriction on varying prices in January 2015 when Victorian network prices are expected to change.

Origin therefore considers that there are three issues that the Commission should address to protect the long term interests of customers:

- permit retailers to change their prices as a result of the repeal of the carbon scheme before the required one month period has elapsed after gazettal of new prices;
- permit retailers to change their prices as a result of the repeal of the carbon scheme before the required 20 business day period has elapsed after providing notice of a price change to smart meter customers (on either a standing or market contract); and
- permit retailers to vary prices at the next change of Victorian network prices (expected in January 2015) even if this is within six months of the price variation due to the repeal of the carbon scheme.

The second and third issues noted above are not explicitly discussed in the consultation paper; however Origin considers these to be critical issues.

Addressing Price Notification Requirements

We agree that it is important that customers receive the benefits of carbon repeal as soon as practicable. Origin strongly supports the Commission's preferred option to permit retailers to change their prices as a result of the repeal of the carbon scheme before the required notice period has elapsed for (i) gazetting a price change (a one month notice period) and (ii) providing smart meter customers (on either a standing or market contract) with advance notification of the price change (a 20 business day notice period).

Accommodating Network Price Changes in January 2015

As Origin has previously discussed with the Commission, Origin expects that Network businesses will change their prices in January 2015. Consistent with previous practice retailers will need to be able to adjust their prices without delay to reflect the changes in network prices. A failure to do so would impose unreasonable costs upon retailers and could affect the operation of the competitive market. It is therefore critical that the Commission allows for “an additional price variation” to permit retailers to vary their prices once within six months of the price variation due to repeal of the carbon scheme.

Origin notes that the Commission is seeking consistency with the AER’s approach in relation to carbon repeal. The AER’s compliance statement on standing offer prices and proposed carbon scheme repeal does not contemplate retailers varying their prices within six months of price variation due to carbon scheme repeal. However the network price change in January 2015 is an important difference between Victoria and the jurisdictions for which the AER is responsible and requires a different treatment by the ESC. In order to accommodate network price changes the ESC should explicitly allow for a single price variation within six months of the price variation due to repeal of the carbon price.

Multiple Price Variations

The Commission has canvassed views on an option to allow multiple price variations outside the requirements of the EIA and GIA. Origin does not see the need for multiple price changes within a three month period.

As it is likely that repeal of the carbon price will occur in mid-July, it would greatly assist retailers in implementing carbon repeal if the Commission could issue a compliance statement as quickly as possible.

I would be pleased to discuss any matter raised within this response further with the Commission and can be contacted on (02) 9503 5674.

Yours sincerely



Keith Robertson
Manager Wholesale and Retail Regulatory Policy