



10 March 2020

Kate Symons  
Commissioner and Chairperson  
Essential Services Commission  
Level 37, 2 Lonsdale Street  
Melbourne, Victoria 3000

Dear Ms Symons,

**RE: MAXIMUM PRICE FOR EMBEDDED NETWORKS AND OTHER EXEMPT SELLERS**

Origin Energy (Origin) welcomes the opportunity to respond to the Essential Services Commission's (ESC) consultation paper on the maximum prices that embedded networks and other exempt sellers may charge customers.

Under the General Exemption Order 2017 (the exemption order) the ESC has the function to formulate maximum prices for the sale and supply of electricity by exempt sellers. On 30 May 2019, the Victorian Government froze the maximum price exempt sellers could charge to the local area retailer's standing offer tariffs that were in effect prior to 27 May 2019, with those maximum prices applying until the ESC formulated a maximum price for exempt sellers.

In its final advice to the Victorian Government on Victorian Default Offer (VDO) prices to apply from 1 July 2019, the ESC noted that because the VDO is designed to replace standing offer prices it would replace the flat standing offer prices of the local retailer in each electricity distribution area. While the ESC was not tasked with setting prices for exempt sellers as part of the VDO process, the ESC noted that the VDO would likely apply to exempt sellers through the transitional provisions in clause 27 of the exemption order.

Origin agree with the ESC's initial view that the VDO represents an appropriate benchmark for the cost of selling retail electricity in Victoria by an exempt seller. Origin consider that customers in embedded networks should be afforded the same customer protections as any other consumer, including the application of safety net pricing. The application of the VDO as a maximum price for customers in embedded networks represents a pragmatic and equitable solution.

Origin consider that the ESC has identified the key issues in formulating its maximum price proposal. In particular, we concur with the ESC that the application of a consistent approach supports the long-term interests of customers of exempt sellers and aligns customer protections for embedded network customers with other mass market customers. We note that the proposed application of the VDO to embedded networks is also consistent with the ESC's extension of customer protections to embedded network customers via recent changes to the Energy Retail Code.

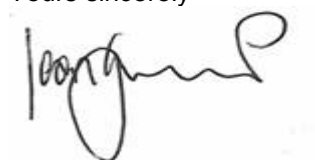
Origin provide a range of tariff types to its embedded network customers. Accordingly, Origin consider a VDO compliant maximum annual bill to be the most appropriate method when formulating a maximum price for exempt sellers. A maximum annual bill provides the flexibility to accommodate a range of tariff options and allows retailers to tailor tariffs to suit customer needs as appropriate.

In terms of implementation, we agree with the ESC that a key consideration should be the minimisation of the regulatory burden for customers and exempt sellers. In order to limit implementation and system change costs, we consider that the application of a maximum price in embedded networks should be aligned with the application of the VDO to mass market customers.

Consistent with the application of the transitional maximum price arrangements and equity considerations, we consider that any maximum price decision should apply equally to multiple activity exemption categories. We are not aware of any specific implementation issues associated with these exemption categories.

If you have any questions regarding this submission, please contact Gary Davies in the first instance on (07) 3867 0620.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sean Greenup', written over a faint circular stamp or watermark.

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