



27 August 2015

Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Lodged electronically: [www.aemc.gov.au](http://www.aemc.gov.au)

To whom it may concern:

**RE: Draft Rule Aligning Network and Retail Tariff Structures for Small Customers (ERC0175)**

Origin welcomes the opportunity to respond to the Australian Energy Market Commission's (the Commission) Draft Rule on Aligning Network and Retail Tariff Structures for Small Customers.

Origin notes the Commission's decision to not make a draft rule in relation to the COAG Energy Council's rule change request. The reasons for this decision are primarily that retailers are equipped to manage risk on behalf of consumers in relation to the different cost inputs of electricity charges, and it is more efficient for retailers to manage these risks rather than imposing additional risks and costs on the distribution businesses, which could lead to higher network costs and higher charges for all consumers.

The Commission correctly highlights the fact that retailers are in the business of effectively managing risk in the market.<sup>1</sup> In a deregulated, competitive market, retailers quantify risk and integrate this cost into the range of products they offer customers. However, in the event that a government intervenes in the market and prescribes the tariff structure that retailers must make available to customers, the options available to retailers to manage risk are constrained and therefore the cost of managing this risk is greater.

For this reason, it is Origin's strong preference that competitive retail markets should be allowed to operate without government intervention. While we recognise it is outside of the scope of the Commission's assessment, jurisdictions should not exercise their discretion under clause 22(1a) of the National Energy Retail Law (NERL) to prescribe the structure of standing offer tariffs to small customers with interval meters. In the event this discretion is exercised, Origin maintains its conditional support for the Rule that was originally proposed by the COAG Energy Council.

Origin would be pleased to discuss any matters raised within this response with the Commission. Please contact Timothy Wilson (Retail Regulatory Analyst) in the first instance on (03) 8665 7155.

Yours sincerely

A handwritten signature in blue ink, appearing to read "K. Robertson".

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<sup>1</sup> AEMC, *Aligning Network and Retail Tariff Structures for Small Customers*, Draft Rule Determination, July 2015, pp. 14-16.