



27 October 2008

Ms Shelley Schreiner
Chief Executive Officer
Independent Competition and Regulatory Commission
GPO Box 296
Canberra City ACT 2601

Dear Ms Schreiner

IMPLEMENTATION OF GREENPOWER INITIATIVE: PROPOSED ELECTRICITY RETAIL LICENCE CONDITIONS

Thank you for your correspondence to Karen Moses of 23 September 2008 regarding the introduction of the GreenPower Scheme under the Utilities Act 2000 (ACT).

While Origin understands the policy intent underpinning the proposed changes to retail licence conditions in the ACT, we would express some concern with the nature of the changes. We note that the policy decision and direction is a matter for the Territory government rather than the Commission itself, however we believe there are important implementation issues that require further consideration.

- Origin believes that the change to retail energy licence conditions proposed will limit the ability of retailers to compete and differentiate on the basis of green power product offerings, since we interpret the changes to compel all retailers to make a first offer of 100 per cent accredited green power to all customers.
- On page 6 and 7 of the GreenPower Information Paper, the Commission refers to rules set out under the *National GreenPower Accreditation Program*. Some confusion is introduced by the definition and how this may be applied in practice. Origin would ask if the proposed changes to licence conditions require that the first offer constitute all of a customer's electricity consumption. "Equivalent to the Australian average household electricity consumption" adds confusion to the definition set out in the information paper and lacks application to many customers.
- Section 4.2(c) of the proposed variations to licence conditions states that retailers are to make customers aware of other offers, only if the customer refuses the first offer. Origin believes that this does not provide customers with sufficient choice, and that many customers (including vulnerable customers) will simply agree to the first offer, which may attract a higher retail price due to its 100 per cent GreenPower component.
- Origin would seek to clarify if the requirement will apply to standard contract customers (whether moving in to a vacant property, reverting from a negotiated contract or constructing new premises). If it does, we would ask if this is consistent with the terms and conditions of default electricity supply and the



Transitional Franchise Tariff (noting that a final decision was made on the 2008-09 TFT in June 2008).

- Furthermore, we believe the application of the changes to large customers (for example, greater than 160MWh per annum in consumption) is inconsistent with the standard approach to such customers, where they negotiate terms and conditions of their supply arrangements.
- Some large customers are price sensitive and the changed licence condition will simply increase transaction costs for larger customers and retailers, since they will be less likely to purchase a 100 per cent green power product. Origin assumes the licence conditions in the ACT will require a retailer to submit more than one tender in response to a large customer request for energy services; one with the 100 per cent green power offering and one (or more) with varying levels of green power.
- Large customers will consider the impact of national schemes (such as the Carbon Pollution Reduction Scheme and expanded MRET) in their energy efficiency and energy procurement decisions in the future. Given current uncertainty around the level of costs that such customers may face, they are less likely to accept a 100 per cent accredited product in the interim.
- The inclusion of large customers will also add to administrative costs for retailers, who may manage customer data and information out of different information technology systems, thereby increasing reporting compliance costs to the Commission.
- Finally, the policy is being introduced at a time when significant effort is being made to promote the harmonisation of retail regulatory arrangements nationally through the Retail Policy Working Group (the National Energy Consumer Framework). The proposed change in the ACT will add to a number of recently introduced initiatives in other jurisdictions. Most of these initiatives (for example feed-in tariff regulation, energy efficiency schemes) have been developed in isolation and often in an uncoordinated fashion relative to other jurisdictions and undermine efforts to harmonise retail regulatory arrangements nationally.

Should you have any questions on the matters raised in this correspondence, please contact me.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Randall Brown".

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