17 May 2013

Mr Chris Pattas
General Manager, Network Operations and Development
Australian Energy Regulator
GPO Box 520
Melbourne 3001

[by email:Costallocations@aer.gov.au]

Dear Mr Pattas

RE: BETTER REGULATION: SHARED ASSET GUIDELINE ISSUES PAPER

Origin welcomes the opportunity to comment on the Australian Energy Regulator's Issues paper on the *Shared asset guidelines for* electricity distribution and transmission.

Origin has long recognised the potential for networks to earn unregulated revenues from regulated assets, arguing that where this occurs the end customer should benefit from reduced costs for regulated network services. In the context of the rapidly evolving market for metering and related services Origin has also argued for the benefits of competition and competitive neutrality. Furthermore, where a monopoly service provider engages in commercial services it is vital that the regulator take a rigorous approach to assessing this, to ensure that ring-fencing is applied and the benefits of competition are not compromised.

Origin supports a materiality threshold for asset sharing guideline, to avoid creating additional costs in instances where asset sharing is immaterial.

Origin notes the AEMC's finding that in the interests of certainty for network service providers the AER should:

- only consider the impact of shared assets at the time of the revenue reset, and
- not make *ex ante* adjustments to revenues to account for asset sharing that has occurred in the past, or for outcomes that differed from forecast.

These conditions significantly constrain the AER's scope to address asset sharing. Firstly, the opportunity to adjust regulated revenues to account for sharing of assets will arise only rarely. The market for competitive metering and energy management services is still evolving so it is unlikely the AER will be able to adjust with any confidence for asset-sharing in the next set of revenue re-sets. There is likely to be considerable delay before customers see any benefit. Secondly, if the market for competitive metering offers was to expand faster than forecast (a quite plausible outcome) customers would not see a concomitant reduction in their network charges until the following regulatory period. This introduces considerable regulatory lag.

In light of the above constraints, each revenue reset should involve a detailed analysis of unregulated revenues earned from regulated assets in the preceding period, with a view to establishing a realistic assessment of asset sharing that will occur in the forthcoming period. In this vein, we support the AER's proposal that where shared assets produce

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revenues exceeding 0.5 percent of the annual revenue requirement, more detailed reporting of these revenue sources would be required on an annual basis. Origin acknowledges that the guideline may need to allow for some benefit of asset sharing to be retained in order to incentivise this activity effectively.

If you have any questions regarding this submission please contact me in the first instance on (03) 9652 5555.

Yours sincerely

[SIGNED]

Steven Macmillan
Regulatory Manager