12 May 2023

Arek Gulbenkoglu
General Manager
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Email: AERresets2024-29@aer.gov.au

Dear Mr Gulbenkoglu,

RE: Submission to the NSW and ACT regulatory proposals

Origin Energy (Origin) appreciates the opportunity to provide a response to the regulatory proposals lodged by Ausgrid, Endeavour Energy, Essential Energy and Evoenergy for their electricity distribution networks for the period from 1 July 2024 to 30 June 2029.

Origin supports prudent network expenditure that strikes a balance between maintaining the safety and reliability of the networks while supporting the energy transition and changing energy consumption patterns.

We broadly support the proposed capital expenditure (capex) forecasts. However, we are concerned with the quantum of Ausgrid's capex underspend during the current regulatory period and the resulting capital expenditure sharing scheme (CESS) benefit payment. Similarly, we note that both Ausgrid and Endeavour Energy achieved significant operating expenditure (opex) underspends in the current period compared to forecasts. We are concerned with the size of these underspends and whether these reflect sustainable efficiency improvements.

The quantum and frequency of gains raises concerns that the forecasting approach and/or the application of efficiency targets may not be operating as intended e.g. efficiency targets may not be sufficiently challenging.

Origin is also concerned about the number and magnitude of adjustments to the 'efficient' opex base year and the value of proposed opex step-changes in the next regulatory period. These adjustments, particularly where they relate to the reclassification of costs, appear to negate opex efficiencies achieved in the current regulatory period and undermine the concept of an 'efficient' base year. The proposed base year adjustments and step changes need to be critically assessed to ensure that the opex incentive scheme is operating as intended and to the benefit of customers.

We support proposed tariff reform aimed at promoting cost reflectivity and accommodating the development of consumer energy resources. However, the decision to apply cost reflective tariffs to end customers ultimately rests with retailers. It is the role of the retailer to balance considerations, including simplicity, customer impact and the management of financial risk.

The proposed adoption of large-scale battery tariffs seeks to encourage the efficient deployment and operation of large-scale storage. While we support the introduction of battery tariffs, it is critical that tariffs are sufficiently attractive to encourage efficient commercial deployment. For example, a high fixed charge such as that proposed by Essential Energy is likely to discourage the deployment of smaller utility-scale batteries. In addition, where large-scale batteries operate as community batteries, the proposed tariff structures appear to disadvantage large-scale batteries compared to behind-the-meter alternatives such as virtual power plants. We recommend that networks review their proposed tariffs to ensure the

commercial incentives are appropriate, including for example the application of fixed versus variable charges, and that the value proposition for large-scale batteries is comparable to alternative arrangements such as virtual power plants.

Ausgrid and Endeavour Energy are proposing new network tariffs to apply to embedded network (EN) customers with more than 160 MWh energy consumption a year. We do not believe there is evidence to justify a separate tariff designed to penalise ENs more than other businesses, nor believe there is evidence that an EN tariff is required for compliance with the Pricing Principles in the National Electricity Rules (the Rules).

Finally, Origin acknowledges the customer engagement process undertaken by the electricity networks to inform their proposals and the ongoing effort to incorporate the long-term interest of customers in their forward planning.

Further details of these matters are provided at Attachment A.

If you have any questions regarding this submission, please contact Gary Davies in the first instance at [redacted]

Yours sincerely

[redacted]

Sean Greenup
Group Manager Regulatory Policy
[redacted]

Capital expenditure

We broadly support the proposed capex forecasts proposed by Ausgrid, Endeavour Energy and Evoenergy. We note Essential Energy has proposed a 5 per cent increase in capex for the period (compared to the current period actual expenditure). We agree with the AER that Essential Energy has not provided sufficient evidence to support the prudency and efficiency of proposed capex. For this reason, our position is not to support the proposed capex.

Ausgrid has proposed a significant capex underspend compared to the current regulatory period (expected to be $540 million below forecast). As a result, this will provide Ausgrid with a significant CESS benefit payment. The AER needs to demonstrate whether this underspend is because of over-forecasting, the deferral of capex projects or genuine efficiency gains in the current period. It is important to determine the rationale for any underspend including whether there were impediments to the capex program that may impact the future capex program. To the extent Ausgrid is claiming expenditure efficiencies, it is incumbent on the AER to explain to stakeholders whether this underspend is an efficiency and how such a large efficiency was achieved.

Evoenergy is forecasting a significant increase in capex in response to the ACT Government net zero emissions policy and the associated increase in network demand. We recognise that the transition to net zero is not expected to be linear and we anticipate ongoing development during the forthcoming regulatory period. We agree that Evoenergy's identification of contingent projects linked to event triggers (such as an unexpected increase in EVs) is appropriate given the uncertain policy environment and how customers will respond to policy initiatives. However, we agree with the AER that the capex associated with these projects should be reviewed if the project is triggered during the period rather than pre-approving the capex.

The forecast increase in Evoenergy's capex represents a significant price increase for customers in the forthcoming regulatory period. It is critical that Evoenergy explore all options to mitigate these price increases,

Operating expenditure

Ausgrid and Endeavour Energy achieved significant opex underspends in the current regulatory period compared to forecast opex ($423.8 million and $267.1 million respectively). We are concerned with the size of the opex underspends and whether these reflect sustainable efficiency improvements. While the networks have identified areas where cost savings have been achieved, such as reductions in employee numbers and saving in vegetation management, it is not clear that the reductions have not impacted other areas of the business or service delivery. We believe a detailed assessment is required of underspends that clearly demonstrates that these savings have been achieved while maintaining or improving service delivery and explaining how this is achievable.

Base Year Opex

It is important for the AER to confirm that opex savings in the current regulatory period are not offset by unnecessary future opex increases, particularly via base-year adjustments, step changes, and expensing of previously capitalised items. These effectively reset baseline opex and act to negate past savings and thus future consumer benefits. The AER also needs to be cognisant of additional baseline opex undermining the effectiveness of the EBSS incentive regime.

Establishing an "efficient" base year opex is a critical component of forecast opex and adjustments (increases) to the base year can be a significant driver of forecast opex. The DNSPs have proposed adjustments to the base year, including Ausgrid's proposed $213.2 million increase. We are particularly concerned with adjustments relating to changed accounting practices, service reclassification or capitalisation policies. The proposed changes in accounting practices and service classifications when establishing the base year opex makes it difficult to assess the efficiency of the base year and the comparability of opex over regulatory periods.

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We believe the nature of a cost should be well defined and remain relatively consistent over time. Where the nature of a cost is subject to change this will lead to potentially widely diverging capitalisation outcomes over time. For example, to the extent the base year is inappropriately inflated, forecast opex will be higher than it otherwise should be, and customers will face increased costs.

We expect that the AER will unpack adjustments to the base year to standardise opex estimates over time in order to satisfy itself that any adjustments are appropriate and the resultant opex reflects a true "efficient" base year.

Step Change Opex

The DNSPs have proposed a number of step changes in the forthcoming period primarily driven by higher insurance premiums, enabling distributed energy resources (DER), and cyber security. These step changes represent significant increases in opex, including for example, $64.2 million proposed by Ausgrid, and will result in significant cost increases for customers. From the information provided, we are unable to determine if the proposed step changes are prudent and efficient. For example, in relation to the proposed DER preparedness expenditure, we require further analysis, including demand forecasts, details of the technical infrastructure and architecture, an assessment of customer benefits and confirmation that alternative options to enable DER have been adequately explored. We expect the AER to rigorously examine the proposed step changes to ensure these are appropriate.

Incentive schemes

We continue to have concerns with the operation of incentive schemes, specifically the CESS and the efficiency benefit sharing scheme (EBSS). For example, Ausgrid are proposing a $148 million CESS benefit and a $418 million EBSS benefit arising from the 2019-24 regulatory period. We question whether the significant benefits represent genuine efficiencies. We note that Ausgrid has excluded a number of projects from the CESS calculation e.g. the Network innovation Program. The AER's CESS Guideline does not provide for the exclusion of specific projects; we seek confirmation from the AER that the proposed exclusions are appropriate.

In terms of capex, it is important the AER confirm that capex underspends during the regulatory period represent genuine efficiencies rather than over-forecasting or the deferral of capex projects that are then reintroduced in the subsequent regulatory period. That a DNSP can underspend against the AER allowance in the current regulatory period and claim these savings as part of the capex incentive scheme; yet request increased expenditure in the next regulatory period appears contrary to the intent of the regulatory framework.

In the first instance, it is necessary to determine if the underspending reflects over-forecasting and thus requires refinement of the expenditure forecasting assessment process. Having established the robustness of the forecasting process, the onus should be on the DNSPs to clearly explain any underspend during the regulatory period. Where the DNSPs indicate that an underspend reflects efficiency improvements, we would expect the DNSP to be able to verify how such efficiencies were achieved. This information may help to inform the assessment of capex forecasts in future regulatory periods.

Similarly, identification of deferred projects is a critical issue. Where a project is deferred there is potential for the project to be re-scoped by a DNSP and incorporated in future expenditure forecasts thus undermining any consumer benefit intended through the CESS. Accordingly, stakeholders require a thorough understanding of expenditure proposed in the current regulatory period and the intended outcomes/deliverables from this expenditure. It is important to determine whether proposed capex for the next regulatory period could (or should) have been incurred in the current regulatory period and, if so, whether there was an impediment to doing so e.g. resourcing constraints. Decisions to defer expenditure may reflect good business practice in some instances. However, to ensure the effective operation of the CESS, it is critical that deferred projects are identified, and appropriate adjustments made to the incentive scheme or future forecasts.

As mentioned previously, Ausgrid and Endeavour Energy achieved significant opex underspends in the current regulatory period compared to forecast opex. The underspends result in significant EBSS payments to both DNSPs. Over time we would expect the efficiency payment to tend toward zero i.e. some regulatory periods the DNSPs achieve/exceed efficiency targets whilst other they do not. Those networks on the efficiency frontier would presumably have limited scope to achieve efficiencies in excess of the AER's efficiency targets. The ability of the DNSPs, particularly those on (or close) the efficiency frontier, to consistently achieve EBSS payments tends to suggest that the incentive regime may not be operating as intended.

We consider that either the AER's assessment of opex forecasts is not sufficiently robust and is therefore allowing some "fat" in the forecasts or efficiency targets (including catch-up) are not challenging enough. To the extent this is the case, there will be a bias toward outperformance for the DNSP and, as a result, future EBSS payments. We encourage the AER to continuously review its opex forecasting approach and efficiency targets to ensure that DNSPs' opex forecasts are sufficiently challenging.

We note also that adjustments (increases) to base year opex and opex step changes will tend to offset efficiency gains, effectively ratcheting-up the opex forecasts in the forthcoming regulatory period. We emphasise the importance of the AER conducting a critical review of proposed base year increases and opex step changes.

Tariff reform

Tariff reform represents a significant component of the NSW and ACT regulatory proposals. Key proposals include:

- Further transitioning of customers to cost-reflective tariffs and the removal of options to opt-out of cost-reflective pricing.
- Changes to charging structures and charging windows (peak, off-peak) in response to changing consumption patterns/changing peak demand.
- The introduction of contingent tariffs within-period, dependent on demand triggers.
- The introduction of export tariffs, including a basic (free) export level, a modest export charge and a reward/rebate component during peak import periods.
- The introduction of specific LV and HV battery tariffs designed to promote efficient deployment and use of network connected batteries.
- Specific embedded network tariffs proposed by Ausgrid and Endeavour Energy.

While network tariff structures are not expected to be identical, we consider that a key consideration should be the promotion of consistency across other elements such as peak and off-peak periods and mandatory assignment rules. This would assist retailers to create products and share information with customers in order to understand the impact of proposed tariff changes.

Key comments on proposed tariff reforms are provided below.

Cost-reflective tariffs

The principles of cost reflective tariffs are well understood – charges recovered from a customer should reflect the cost to serve that customer. Cost-reflective tariffs encourage customers to shift their usage from peak times (or discourage exports when the network is overloaded). This can reduce the need for network augmentation, reducing costs for all customers and provide flexibility for those customers who are able and willing to respond to the tariff signals to lower their energy costs.

Origin recognises the importance of reforming network tariffs. By sending clearer signals to consumers about the cost of supplying electricity, consumers will be better placed to make more efficient decisions about how much electricity they use and when to use it. This will remove cross-subsidies and result in more efficient future network expenditure.

We support the move towards cost reflective pricing. However, for these reforms to be successful customers must be able to understand their tariffs so that they can optimise their benefits or at least minimise negative impacts. The necessary preconditions for this are broad-based customer education and sufficient penetration of demand response technology. We strongly believe these pre-conditions must be delivered before complex tariffs can be successfully introduced.

Retailers are the 'customer-facing' component of the energy supply chain. The retail offer encompasses all elements of the energy supply chain, including volatile and unpredictable wholesale energy costs as well as the network cost component. Ultimately, it is up to the retailer to decide how to reflect price signals in their retail offers. How the retailer packages its retail offers reflects a number of considerations, including simplicity, customer understanding, anticipated uptake of offers and the management of financial risk.

The decision to pass-through cost reflective network tariffs often reflects the complexity of the tariff and the perceived ability of the customer to measure and respond to the price signal. For example, we consider that demand charges are difficult to explain to residential customers and customers typically cannot easily measure their demand and respond to these charges. For these reasons we are generally reluctant to pass through demand charges to customers. This position may change as effective smart demand response technology that enables greater energy management is available or economic for the vast majority of residential customers. We consider that retaining the flexibility for retailers to package their offers to suit their customer requirements is critical.

A number of DNSPs, including Ausgrid, are proposing changes in tariff structures and charging windows. It is not clear that the DNSPs have conducted the necessary analysis to substantiate these changes. While there is some evidence that peak periods have shifted in recent years, we consider that further analysis of customer impacts versus network costs/benefits is warranted before these proposed changes can be considered.

DNSPs are also proposing changes to tariff structures within the regulatory period for example changing the peak charging window from 1 July 2027. We consider that this introduces unnecessary complexity to the tariff arrangements for both customers and retailers. Customers require consistency to adjust consumption patterns, while retailers will need to develop new pricing arrangements, change billing systems and manage additional tariff change notifications to customers. It is not clear that the benefits of adopting different pricing structures within the regulatory period outweigh these additional costs. We are therefore not supportive of the proposed within-period changes to tariff structures and consider that DNSPs ought to adopt a single structure for the entire 2024-29 period.

Export tariffs

Origin supports export pricing that efficiently reflects the cost imposed on networks by exporters, minimising the need for network augmentation, while incentivising exports where these provide benefits to the network. We appreciate that the proposed export tariffs are relatively basic and are largely intended to introduce customers to the concept of export tariffs. We would expect export tariffs to be refined over time.

We consider that export tariffs should be relatively simple for both customers and retailers to understand and respond to. On this basis, we consider that the proposed application of a stepped demand charge by Essential Energy increases the complexity of the tariff – it will be difficult for customers to understand and difficult for retailers to incorporate in their billing systems. Similarly, the use of both a demand charge (on a kW basis) and a c/kWh rebate charge will likely cause confusion for customers and will present operational difficulties for retailers to implement. We recommend that a single demand charge be applied, and both the demand charge and rebate be charged on a c/kWh basis. More broadly, we suggest that the form of export charge between networks be standardised, for example, all c/kWh charges.

Implementing export charges will incur additional costs for retailers, for example to change billing systems. These costs are typically passed on to customers through retail tariffs. To be worthwhile for customers, the uptake of export tariffs and the customer benefits need to be sufficient to offset the additional cost of retailer implementation.

Based on our preliminary analysis, we consider that a significant proportion of customers are likely to exceed the basic export limit and thus incur additional costs. We note that networks have modelled bill impacts including proposed changes to the underlying residential tariffs. These changes appear to reduce the impact of the proposed export tariffs on customer bills. We seek further information regarding the calculation of export tariff bill impacts, including the assumed average solar system size, volume of exports and assumed customer utilisation of export rewards.

We recognise that the application of export charges is likely to encounter some resistance, especially from existing solar customers who may be unable to adjust their behaviour to respond to the new charges. Accordingly, it is essential that the introduction of export charges be accompanied by a comprehensive customer education campaign that clearly explains the rationale and benefits of applying export charges. We request that the AER consider how and by whom any education campaign should be delivered.

Large-scale battery tariffs

The DNSPs are proposing to introduce large-scale battery tariffs from 1 July 2024. The tariffs are aimed at promoting efficient levels of utility scale storage connecting to the distribution network, encouraging storage to charge during periods of low demand and high voltage and to export during periods of peak demand. This can provide voltage support to the network, reducing the costs of voltage management and avoid the need to augment networks.

In principle we support the introduction of large-scale battery tariffs. However, to foster commercial engagement, it is critical that the network support benefits associated with battery deployment are appropriately balanced with the commercial incentives.

The decision to invest in large-scale batteries depends on the expected commercial returns from the investment. As a result, it is critical that proposed tariffs are clearly articulated and sufficiently attractive to promote investment.

We note the significant disparity between proposed fixed charges for different networks. For example, Essential Energy proposes a fixed charge of $6,065 per year, while Endeavour Energy proposes a charge of approximately $570 per year. This can have a significant impact on the type and number of batteries installed and their commercial attractiveness. We seek clarity on the rationale for the development of fixed charges, and in particular, the size of the fixed charge proposed by Essential Energy.

Where a fixed charge applies, we suggest that this be varied according to the size of the battery, with smaller batteries attracting a lower fixed charge. This encourages the deployment of many smaller size batteries which is better for overall network resilience than one large battery in one location. We note, for example, that the fixed charge proposed by Essential Energy is independent of the size of battery being connected.

In terms of network support, tariffs need to be appropriately structured to elicit the desired response from battery owners. For example, the combination of a large fixed charge (such as that proposed by Essential Energy) with little differentiation between volume charges for different periods of the day may not encourage owners to charge their batteries at the desired times. That is, battery owners may be somewhat indifferent to when they charge the battery given the high fixed fee.

We note that export rebates are applied to the evening peak but not the morning peak. We question whether there is a benefit to also applying a rebate to the morning peak, particularly as a means of increasing the commercial attractiveness of deployment.

In the case of Essential Energy, the daytime export penalty is based on demand not volume. This can be difficult to manage and effectively result in a large penalty for a brief and potentially rare export event. We recommend that a single demand charge be applied, and both the demand charge and rebate be charged on a c/kWh basis.

Tariffs need to be structured to ensure a level playing field between large-scale batteries (particularly where these operate as community batteries) and alternative arrangements such as virtual power plants. A behind-the-meter battery is an alternative energy supply to the grid and incurs no network costs, whereas a community battery does incur network costs. It is essential that this cost differential be accounted for when developing tariffs applying to community battery customers. Failure to do so reduces the commercial attractiveness of community batteries and will discourage their installation. The system benefits associated with these batteries will therefore not eventuate to the detriment of all energy customers.

Embedded network tariffs

Ausgrid and Endeavour Energy are proposing new network tariffs to apply to EN customers with more than 160 MWh energy consumption a year.

Networks suggest that customers in ENs are fundamentally different from C&I customers in their load profile and peak consumption and therefore impose different (higher) costs on the network. Given C&I customers and ENs are subject to the same tariffs, networks argue that EN customers are not making an equitable contribution to network costs relative to the associated costs imposed on the network and that this shortfall is being met by non-EN customers.

Origin considers ENs are an efficient way for residential and business customers to access energy supply, and they provide customers with access to innovative energy solutions that may not otherwise be available to them as individual customers.

ENs have been shown to be more efficient in building and construction costs as well as maintenance costs and metering service provision compared to traditional networks. These cost efficiencies, together with the ability to aggregate and diversify energy demand behind the parent meter, means that ENs can provide cheaper services to residential and business customers while still being profitable (a win-win for customers and network owners/operators).

Customer savings within ENs are not limited to electricity cost savings but are also achieved by providing more efficient gas and hot water services. The synergies in being able to provide these services together provides additional cost savings that can be shared with customers.

The ENs that Origin operate and manage already respond to network pricing signals. We are incorporating behind the meter energy resources that not only help optimise energy use, but also enhance the level of resilience of our customers' supply.

The cost savings achieved by our ENs provide important financial support for energy innovation and technology investment. Without efficiency and tariff savings, innovation and technology investment will be harder to justify, leaving customers of ENs increasingly shut out of the energy revolution.

Origin considers the introduction of new tariffs that specifically target ENs to be unwarranted. We recognise that all customers need to contribute to the costs of the shared network. However, we do not believe that customers of ENs should pay twice.

EN owners pay for the costs of reticulating services throughout their precincts, which in their absence, would be borne by the DNSP and paid for by all customers. These avoided costs extend to ongoing maintenance costs, which ENs also bear. It is not reasonable for ENs to be charged network tariffs that incorporate shared costs that ENs, by their very existence, allow distribution networks to avoid.

Origin is not convinced the evidence provided by Ausgrid is sufficiently robust to suggest there is a different 'cost to serve' ENs versus other business customers.

Comparisons of averages are often simplistic and hide significant variation within the sample. This is compounded if the sample size is very small. The sample size for Ausgrid's analysis behind Figures 4 and 5 on page 22 of its Tariff Structure Statement is not shown, nor is the load profile data provided.

We understand there are very few (i.e. 1-2) ENs connected at HV on Ausgrid's network and consider the analysis for HV customers should be discarded on the basis of insufficient sample size. While there are undoubtedly more ENs connected at LV, we ask the AER to scrutinise the load profile data and test the veracity of Ausgrid's conclusions as we are not convinced there is a higher cost to serve ENs compared to other business customers.

We also ask the AER to review the data to ensure any impacts of COVID are removed from the load profile data. Since March 2020, more people have been working-from-home than ever before. While work from home arrangements still exist, more and more workers are returning to the office, leading to changes in the load profiles of commercial and residential customers. We expect Ausgrid to take steps to normalise energy usage and demand data, and to the extent that this cannot be done, we hope the AER would wait until such data is available before agreeing to introduce new tariffs.

To the extent there is no difference between the cost to serve ENs and business customers, there is no justification for a new embedded network tariff under Pricing Principle 6.18.5 (f)(2).

Origin agrees that all customers need to contribute to the shared costs of the network. The contribution to residual revenue paid by customers varies based on the cost their individual connection imposes on the network (i.e. the amount left over after costs have been recovered).

Residential customers in detached dwellings typically cost the network more to connect on average than residential customers who live in densely packed apartments, yet both are assigned to the same residential tariffs. Similarly, Ausgrid assigns both business and residential customers in different geographical locations within its network to the same tariffs regardless of the different costs involved in supplying those locations. The reality is that electricity distributor's Pricing Proposals, while based on economic principles in the Rules, are a package of subsidies from one type of customers to others. This is the result of having neither nodal pricing, nor the technology, or political appetite, to impose cost reflective network tariffs at the distribution level. Justifying a new tariff on the basis of a 'fair contribution' to residual revenue is therefore problematic given the inherent subsidies that exist within every proposal.

The contribution to total revenue made by ENs needs to reflect the costs borne by ENs (and avoided by distribution networks) as well as a fair share of residual costs. Any assessment of the 'fair share' of residual costs, even at a tariff level, must be based on a 'fair comparison'.

Ausgrid analysed network charges for ENs compared to an aggregated number of residential and business customers using its existing tariffs. We do not consider that Ausgrid has presented a like-for-like comparison. Ausgrid's tariff EA116 is designed with a strong demand signal and is likely to be dominated by customers in detached housing with advanced metering who have the means to invest in technology to manage demand. To the extent they can respond, customers would not actually pay as much revenue as the table suggests. Ausgrid's analysis may over-state the contribution to revenue that customers on EA116 pay and thereby increase the variance shown between them and ENs.

Further, it is unclear whether Ausgrid has used 'average' residential customer load profiles for its analysis or average load profiles for customers on EA116. Regardless, we argue customers on EA116 are not a like-for-like comparison for the average EN customer, the majority of whom are apartment residents with limited access to solar and battery technologies.

We ask the AER to review Ausgrid's revenue analysis and underlying data to verify the conclusion drawn in relation to an equitable revenue contribution.

Endeavour Energy has also provided analysis to support its proposal that ENs should contribute more to revenue in future, but Endeavour Energy uses revenue from fixed charges, rather than network 'cost to serve' to justify its position. The analysis provided by Endeavour Energy is simplistic and the calculation and proposed added charge provided in the Table 11 on page 68 is not intuitive. We ask the AER to review Endeavour Energy's underlying data and calculations to test the veracity of its conclusions.

Origin does not consider a separate tariff for ENs is warranted. Both Ausgrid and Endeavour Energy have business tariffs in place that incorporate demand components designed to penalise businesses for peaky loads consistent with the 6.18.5 (f)(2) of the NER.

Both Ausgrid and Endeavour Energy propose to increase the demand price signal for ENs only. We do not consider this is appropriate because ENs are already responding to demand price signals. Origin designs, and retrofits, batteries, solar and load management technologies into many future and existing ENs to optimise our investment and maximise benefits for customers.

We do not believe there is evidence to justify a separate tariff designed to penalise ENs more than other businesses, nor believe there is evidence that an EN tariff is required for compliance with the Pricing Principles in the Rules. To the extent that Ausgrid wants to signal the costs of peak demand on its network, Origin suggests it focuses on existing business tariffs, any changes to which will have much wider coverage, and smaller individual business impact, compared to targeting ENs specifically.

Ancillary network services

Disconnection and reconnection fees

Origin does not support the Ausgrid practice of combining disconnection and reconnection fees. Merging these services potentially leads to inequitable outcomes, for example where the disconnected service is not ultimately reconnected, the disconnecting party incurs an additional cost that it is unable to recoup. We are not aware of any benefit from combining the services and applying single fee. We consider that charges should be separate and be applied on a causer-pay basis.

NMI extinction fees

Ausgrid's pricing proposal identifies a fixed fee for National Metering Identifier (NMI) extinction. This fixed fee service was set during the 2019-24 regulatory period.

Origin is concerned that this charge is being levied on retailers for sites where there are no shared customers and therefore no ability for retailers to recover their costs.

A request for NMI extinction services can be generated directly from the customer through an Accredited Service Provider (ASP) or from the relevant retailer at the request of the customer. This means there are scenarios where a customer will engage directly with an ASP, and the retailer has no visibility of the customer's identity and is unable to verify if the customer is a shared customer. There are situations where the requesting customer is no longer the retailer's customer, for example, where the customer is the tenant who has moved out and the abolishment is requested by the owner. In these situations, the retailer may have no relationship with the requesting customer and is unable to recover the charge. More generally, in the absence of an internally generated service order or prior customer identification by the DNSP, it is not possible for the retailer to reconcile the charge and we are unable to pass on the charge.

The network charging obligations set out in section 6B of the Rules apply to a DNSP and a retailer who have shared customers. Where the customer is not a shared customer, we consider that a DNSP is not entitled to apply a network charge to the retailer nor is the retailer obligated to pay. Importantly, where the customer is not a customer of the retailer i.e. a shared customer, it is simply not possible for the retailer to recover the charge from the customer. In order to pass network charges on to a customer, the retailer must have a positive right to recover those charges from the customer within the regulatory framework, that is, the person to whom the retailer applies the charge must in fact be a shared customer.

For these reasons, Origin propose Ausgrid or the ASP charge the customer directly (as part of the overall site abolition service charge).