

25 May 2004

Director Energy Markets Branch  
Department of Treasury and Finance  
GPO Box 147  
HOBART TAS 7000

Dear Ms Morrison

**Re: RETAIL COMPETITION IN THE TASMANIAN ELECTRICAL SUPPLY INDUSTRY**

Origin Energy supports the introduction of retail competition in Tasmania's electricity supply industry. The commercial commissioning of Basslink in early 2006 will allow Tasmania's electricity grid to be connected to the National Electricity Market. This will allow mainland electricity retailers to compete in Tasmania just as Aurora is currently seeking to participate in the mainland NEM. It is therefore appropriate that the Tasmanian Government achieves full retail competition (FRC) as soon as possible after the commissioning of Basslink.

Origin is a leading Australian energy company that supplies natural gas, electricity and liquid petroleum gas (LPG) to more than 2 million business and residential customers in Australia, New Zealand and the Pacific. Listed on the Australian Stock Exchange in February 2000, Origin is a participant in most segments of the energy supply chain including natural gas and oil exploration and production, power generation, energy retailing and trading (natural gas, electricity and LPG), and asset management services. Origin employs almost 3,000 employees and has more than 140 years experience meeting the energy needs of Australians. Origin sold about 201PJ<sub>e</sub> of energy to customers in 2002/03, including 15 TWh of electricity.

The proposed framework outlined in the Information Paper follows best practice in Australian jurisdictional experience of approaches to achieving full retail contestability. We do, however, have some recommendations based on our experience in opening energy markets to competition. These opinions are presented below.

**Timetable**

The proposed timetable allows for one year between phasing in full competition for each tranche with FRC not being achieved in Tasmania until 2010. Origin considers that there is scope to speed up the opening of FRC.

Compared to the timetables adopted for FRC around Australia, the Tasmanian timetable up to 0.16 GWh appears to be far longer than all the other states, except for Victoria which was the first state.

**Table 1: Proposed Timetable for Implementation of Full Retail Contestability**

Phases (GWh)	Vic	NSW	SA	ACT	Qld	WA
> 87.6	-	-	-	-	-	Jul-97
> 40 (43.8 for WA)	Dec-94	Oct-96	-	-	Mar-98	Jul-98
> 4 (8.76 for WA)	Jul-95	Apr-97	Nov-98	-	Oct-98	Jan-00
> 0.75 (2 for WA)	Jul-96	Jul-97	May-99	-	-	Jul-01
> 0.16 (0.2 for Qld, 0.3 for WA)	Jul-98	Jul-98	Jan-00	Jan-98	Jul-99	Jul-03
> 0.04 (>100 for ACT)	Jan-01	Jul-01	-	Jul-01	-	-
remainder	Jan-02	Jan-02	Jan-03	Jul-03	tba	-

Given that the experiences of opening up to FRC are already available from other states to inform Tasmania of key issues, Origin believes that the timetable should be contracted. This will release the benefits of FRC to both the Tasmanian community and the national market more rapidly. As there are only 19 customers in the proposed 20 GWh/yr tranche and 41 customers in the 4 GWh/yr tranche Origin suggests as a minimum these two tranches should be combined and become contestable on 1 July 2006. There is also no need to have a one year delay between the 0.75 GWh/yr tranche and the 0.16 GWh/yr tranche as experience in other states has revealed that these two segments are managed similarly by retailers with regards to pricing offers and account management. Therefore Origin would propose the following table for retail contestability in Tasmania:

**Table 2: Alternative Timetable for Implementation of Full Retail Contestability**

Date	Power Consumption (GWh/yr)	Approx no. of eligible installations as at 30/06/2003
1 July 2006	Above 4GWh/yr	60
1 July 2007	Above 0.16 GWh/yr	1526
1 July 2008	Under 0.16 GWh/yr	244 000

Opening competition to residential and small businesses in the electricity retail market by 1 July 2008 is soon after completion of FRC in the gas market in 2007. This will provide opportunities for retailers to make dual fuel offers allowing customers to benefit from retailers' economies of scale sooner than the proposed timetable.

The Tasmanian market is relatively small and retailers require a reasonable number of customers to justify the development of products and offers. Making more customers available sooner for retailers to target will also encourage participation in the market.

Origin Energy would prefer the small business and household tranche to be defined as under 0.16 GWh/yr rather than under 0.15 GWh/yr. Using 0.16 GWh/yr would be consistent with the classification used in Victoria, New South Wales and South Australia. Consistency across the states is a key element of the Ministerial Council on Energy reform package, and is useful for our customer relations in terms of billing and call centre inquiries. No other state has set the cut-off at 0.15 GWh/yr.

## **Aggregation**

Placing conditions on the extent of aggregation that retailers can offer customers will limit competition. As long as there are interval meters, aggregation should be allowed to be a negotiated condition within a contract. Origin cannot see any justification for maintaining the status quo on the location of businesses sites determining the extent of aggregation that is permitted.

## **Standard Contractual Terms**

Not all retailers should be required to offer to enter into contracts with customers on standard terms approved by the Energy Regulator. Only host retailers should be required to offer standard terms in their contracts and they should only be required to offer them to customers with consumption below 0.16 GWh per year. Large customers do not require consumer protection prescribed by the Regulator.

## **Deemed Fallback Contract**

There should not be a deemed fallback contract between the customer and the incumbent retailer because it is impractical as the incumbent may not have any details of the customer. Instead the deemed fallback contract should be between the customer and the last retailer to have supplied the customer at the relevant premises. This would be consistent with practices in Victoria, New South Wales and South Australia. The proposed pricing structure of the deemed fallback contract is appropriate. Origin supports spot prices plus a margin for large customers.

## **Participation in the Wholesale market**

Origin Energy supports freedom for customers to participate directly in the wholesale market in the NEM, provided that those customers install interval meters.

## **Licensing and On-selling**

The on-selling of electricity should be permitted to the extent currently provided for in the *Electricity Supply Act 1995* as well as the *Electricity Supply Industry Regulations 1996*.

Origin is more than happy to provide further details to support our views. If you wish to discuss the issues in our response, please call Patricia Cameron on (03) 9652 5878 in the first instance.

Yours sincerely,

Julian Turecek  
National Manager  
Regulation and Government Affairs