



1 February 2016

Ms Sandra Chui  
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By e-mail: [sandra.chui@aemo.com.au](mailto:sandra.chui@aemo.com.au)

Dear Ms Chui

### **Draft Report – Structure of participant fees in AEMO’s electricity markets 2015**

Origin Energy (Origin) welcomes this opportunity to comment on the Australian Energy Market Operator’s (AEMO) draft report on the structure of participant fees. Origin is generally supportive of the recommendations in the draft report, however we do not agree that at this stage a change should be made to recover full retail contestability (FRC) costs on the basis of the number of active National Meter Identifiers (NMI) for which a participant is a licensed retailer.

In our submission to the consultation paper, we did not consider there were grounds to alter the current fee structure. Given changes that will be brought about by implementing the Power of Choice (PoC) rule changes made by the Australian Energy Market Commission, Origin does not think it is appropriate to alter the current FRC cost recovery mechanism at this time.

AEMO’s costs to develop and implement the proposed shared market protocol (SMP, via an updated B2B e-hub) and new B2B procedures are likely to be material. While allocation of FRC costs on the basis of the number of active NMIs for which a market participant is retailer would seem a reasonable approach, it is not clear if this will be the most effective means of distributing FRC costs equitably given the:

- Likely entry of new participants and users of the amended B2B e-hub (for example metering coordinators);
- The degree to which various market participants rely on or are required to use new services provided by the B2B e-hub; and
- The current uncertainty of the scope and scale of required FRC costs necessary to implement the PoC reforms at the market operator level.

Origin considers that alternatives to FRC cost recovery based on settled energy volumes may need to be investigated given the substantive changes that will take place in the retail energy market from late 2017. While we support a trigger mechanism to allow a change to the period of determination and a further review of the method of FRC cost recovery, we believe changing the approach of FRC cost recovery at this time may result in further costs for industry. This is because the changed approach to FRC costs set out in the draft report will come into effect less than six months prior to the PoC changes. A subsequent change to the method of FRC cost recovery is likely to be needed to efficiently allocate costs soon after the change contained in the draft report if it is made.

Finally, Origin assumes that if FRC costs are applied on the basis of active NMIs and PoC reform changes are allocated to this category of AEMO’s costs, then retailers alone will fund the establishment and operational costs. Given the expansion in the number of users of B2B e-hub

Page 1 of 2

transactions, the proposed approach to FRC costs may not satisfy the principle of non-discrimination against categories of market participants.

For these reasons, we maintain the view in our response to the consultation paper that the current approach to the recovery of FRC costs should be maintained until more information is known about the scale and scope of costs associated with implementing the planned PoC reforms.

Origin supports the other recommendations set out in the draft report, including the proposed implementation date of 1 July 2016 for fees other than FRC costs and the new applicant type for registration fees to apply to metering coordinators.

We would welcome further discussion with the AEMO on this response. In the first instance, please contact David Calder on (03) 8665 7712.

Yours sincerely

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

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