



15 May 2019

Department for Energy and Mining  
Government of South Australia

Submitted by email: [RRO@sa.gov.au](mailto:RRO@sa.gov.au)

Dear Sir/Madam,

### **Consultation on the Proposed Operation of the Retailer Reliability Obligation Changes in South Australia**

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on this proposal by the South Australian Government to modify the Retailer Reliability Obligation (RRO).

In principle, we do not support the South Australian Minister being given the discretion to override the three-year notice period that must be given through a T-3 determination. However, we understand that this policy is not open for discussion in this consultation process.

For this interim policy to be prudently implemented in South Australia, we suggest a number of modifications to the timing of features of the scheme, which are discussed below. It is important that sufficient flexibility is given to retailers to adjust to these changes. The RRO is a new scheme which is being implemented on a very tight timeframe. Whilst the scheme is intended to commence on 1 July this year, at the time of writing this submission the final Rules package has yet to be approved by COAG Energy Council.

We are a member of the Australian Energy Council (AEC) and generally support the submission made by that association.

Regarding the specific consultation questions raised, our response is as follows:

- **T-3 notice and transition period (Question 1 & 2):** the proposal for the T-15 months' notice provision to be transitional only (until mid-2022, depending on when the amendments are passed) is prudent. Generally, any derogations for South Australia should be kept to a minimum.
- **Net contract position (Questions 3 & 4):** our preference is for the contract position date to be delayed to enable sufficient time for retailers to respond. This should help reduce any unintended consequences on the market. We suggest that the contract position day be delayed by about 6 months, to "T-6 months". Further flexibility to adjust for changes to large customers would also be important.

- **Overlapping T-3 periods (Questions 5 & 6):** we expect the South Australian Government and AEMO to work together so that such an event does not occur.
- **Qualifying contracts (Questions 7 & 8):** we do not support a separate process to the AER guidelines. Draft interim guidelines will be available soon and the South Australian Government should build on this process. We support a panel of independent auditors being available to pre-approve Qualifying Contracts but these should be approved by the AER not South Australian Government.
- **Market Liquidity Obligation (Questions 9 to 15):** our preference is for voluntary market making arrangements and we have expressed interest in the scheme being developed by the ASX. We do not support any MLO period being extended beyond T-1.

We also suggest that more than 5 days' notice be given of an MLO period starting in South Australia if the truncated process is implemented. This is required because retailers will not have had the forewarning provided by the full T-3 year process. We suggest at least 20 business days' notice of an MLO period commencing be provided. This will give time to put the necessary compliance procedures in place. We note that the RRO is a new scheme which is currently on a very tight implementation timeframe. Rushing the implementation may create additional risk in the market which could flow through to higher costs for customers.

- **Opt-in customers (Questions 16 & 17):** our main concern as a retailer is that sufficient notice is given of any large customers that opt in or out of the scheme. This is important as it affects the level of the net contract position that we must hedge to. The draft final Rules package includes 6 months' notice of any large customer opt-in, which is prudent. We note that opt-in arrangements are not available until 1 July 2020.

If you wish to discuss any aspect of this submission further, please contact Matthew Kaspura at [matthew.kaspura@originenergy.com.au](mailto:matthew.kaspura@originenergy.com.au) or on 02 9503 5178.

Yours sincerely,



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