



8 March 2019

Dr Kerry Schott AO
Independent Chair
Energy Security Board

Submitted online: info@esb.org.au

Dear Dr Schott

Strategic Energy Plan draft metrics – Consultation Paper

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on the Energy Security Board's (ESB) Strategic Energy Plan draft metrics Consultation Paper.

Origin believes the revised set of metrics – that in most cases are no longer framed as implicit goals or success measures – are an improvement on the original draft.

However, it is essential to provide context around the reasons for any movements in the metrics rather than simply assessing the direction of any change. Where relevant, this should include a qualitative assessment of the extent to which there are any barriers that may be impeding a given outcome. Such an approach will minimise the potential for changes in certain metrics being viewed as evidence of poor performance, when they may simply be reflective of changing market dynamics, consumer preferences, or other external factors.

Origin has provided specific feedback in relation to many the draft metrics in Attachment A. If you wish to discuss any aspect of this submission further, please contact Shaun Cole at shaun.cole@originenergy.com.au or on 03 8665 7366.

Yours Sincerely,

A handwritten signature in blue ink, appearing to read "Steve Reid".

Steve Reid
Group Manager, Regulatory Policy

Draft metric	Proposed metrics	Comments
Affordable energy and satisfied consumers		
<p>Energy is increasingly affordable for all consumers, supported by adequate consumer protections and access to dispute resolution</p>	<ul style="list-style-type: none"> ▪ Representative domestic retail tariffs in each NEM-region ▪ Energy spend as a % of household disposable income ▪ Customer perceived value for money ▪ Number of consumer disputes/complaints to retailers and ombudsman schemes ▪ Low-income high-cost: Number of households with income below poverty line (or alternatively lowest income quintile) which spend above the median level on energy ▪ Representative C&I energy prices. Comparison with international counterparts 	<p>Origin supports the objective of ensuring consumers have access to affordable energy. However, the objective still implies continual reductions in prices, which may not be realistic given the cyclical nature of the energy market.</p> <p>This is also inconsistent with the characterisation of all other proposed objectives that simply target a specific optimal outcome (e.g. ‘wholesale and retail markets are competitive and deliver efficient outcomes for consumers’). Consistent with this, we remain of the view the objective should state that ‘energy is affordable for all consumers, supported by protections for vulnerable customers.’</p>
<p>Consumers are empowered to manage their demand and can access distributed energy and energy efficiency solutions</p>	<ul style="list-style-type: none"> ▪ % customers with smart meters ▪ Ratio of demand response MWs available/annual peak demand ▪ Economy wide energy intensity: energy consumption/GDP 	<p>Given the nature of the objective, the associated metrics should seek to consider whether there are any barriers that may impede the ability of consumers to manage their demand. This could include an assessment of the availability/uptake of enabling technologies such as smart meters (as proposed), but should also include a qualitative assessment of the availability of different retail products/offers that are intended to facilitate DR, along with the different market mechanisms (e.g. the Reliability and Emergency Reserve Trader (RERT), distributor incentive schemes).</p> <p>This is preferable to the proposed ‘ratio of demand response available / annual peak demand’ metric, which provides no context as to whether or not consumers are empowered to manage their own energy demand. Such a metric would also be open to misinterpretation (i.e. a reduction in the level of DR could be</p>

		viewed as evidence that DR is below some optimal level, when in reality it may simply reflect consumer preferences at the time).
Consumers are able to easily identify and secure the best deal for their circumstances	<ul style="list-style-type: none"> ▪ Consumer confidence in ability to make choices about energy products and services ▪ % customers on best three market offers by retailer ▪ # unique hits on government supported energy comparison websites and number of visitors that complete a search plan ▪ How easy it is to switch (e.g. 'customers can switch in five clicks or less'). Most appropriate metric TBD. 	<p>Measuring the percentage of consumers on the 'best offers' would likely place an unreasonable focus on price and fail to take into consideration other, more bespoke tariff offerings available. A more appropriate metric could be to understand the percentage of customers that were able to find a better offer when seeking to find one, which could likely be assessed through a qualitative survey.</p> <p>Measuring the number of clicks required to switch does not provide any clarity regarding the ease of switching or the extent to which consumers are able to access a better offer.</p>
Reliable and low emissions electricity and gas supply		
Electricity and gas sectors efficiently deliver at least their share of emissions reduction target/s while ensuring reliable supply	<ul style="list-style-type: none"> ▪ Electricity and gas sector emissions as a proportion of national emissions. Compare sectoral emissions reduction with economy wide target/s ▪ Amount of unserved energy (with reference to reliability standard) ▪ Amount of RERT capacity procured by type (long notice vs medium notice vs short notice) and number of times deployed ▪ Total cost of RERT (\$) 	Reporting on RERT capacity should also include a measure of the amount of RERT that was ultimately dispatched, as this will provide further context as to whether the volume of RERT procured was actually required to support reliability of supply.
Investors efficiently manage risk to support investment, operation, retirement and innovation decisions	<ul style="list-style-type: none"> ▪ Mean percentage error of AEMO annual operational consumption forecast vs actual ▪ % announced closures by scheduled and semi-scheduled generators made with at least three years' notice ▪ Committed investment in electricity generation capacity by region and forecast supply adequacy ▪ Investment in domestic gas resources and forecast gas supply adequacy 	Assessing the accuracy of peak demand forecasts would likely be a useful addition to the proposed suite of metrics where available. As part of any reporting against this objective, the ESB should provide context around the impact of policy and regulatory uncertainty where relevant.

Effective development of open and competitive markets		
Wholesale and retail markets are competitive and deliver efficient outcomes for consumers	<ul style="list-style-type: none"> ▪ Average forward swap and cap contract prices for electricity in line with LRMC of new entrant, by region where available ▪ Retail and wholesale contract gas prices reflect netback/export parity plus transport and other relevant costs ▪ Extent to which competition in the wholesale electricity and gas markets is identified as an issue by the AER. 	LRMC estimates are heavily dependent on the underlying assumptions and methodology. They also provide limited insight into the competitiveness of the wholesale electricity market. Given the AER undertakes a thorough assessment of the wholesale market as part of its ongoing monitoring function, it would likely be more appropriate to report on the AER's analysis/findings relative to the proposed objective.
Efficient and timely investment in networks		
Networks incentivised to be efficient platforms for energy services	<ul style="list-style-type: none"> ▪ Extent to which DER is able to participate in relevant markets – wholesale, ancillary services, deferral in network investment ▪ Progress towards implementing a DER coordination framework ▪ Time taken to assess network investment proposals in line with best practice international regulatory processes. 	Rather than report on the extent to which DER is able to participate in relevant markets, this metric could be recast to outline the different value streams that are available to DER.
Strong but agile governance		
Governance arrangements support the achievement of the national energy objectives, and emerging issues are addressed in a coordinated, timely and consultative manner.	<ul style="list-style-type: none"> ▪ Energy market institutions have published and co-ordinated priorities, work programs and outcomes ▪ Market bodies' outcomes in line with their statements of expectations ▪ Rule change requests processed within standard timeframes ▪ Number of regulatory sandboxes utilised to trial new regulatory approaches 	<p>We support the ESB reporting on the effectiveness of the governance framework as measured by cohesive and coordinated decision making.</p> <p>While there seems to be current focus on expediting consultations, the ESB should monitor the extent to which this impacts the quality of the process. Feedback from market participant submissions is one means of measuring this.</p>