

Decision on gas trading licence application and standard form contract

Origin Energy Retail Limited

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Economic Regulation Authority

WESTERN AUSTRALIA

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Decision

1. Pursuant to section 11WF of the *Energy Coordination Act 1994* (**Act**), the Economic Regulation Authority (**ERA**) approves the [standard form contract](#) for the sale of gas to small use customers¹ submitted by Origin Energy Retail Limited (**Origin Energy**).
2. Pursuant to sections 11K and 11S of the Act, the ERA has approved the grant of [Gas Trading Licence No.13](#) to Origin Energy.
3. Subject to its terms and conditions, the licence authorises Origin Energy to sell gas transported through a distribution system² to small use customers for 10 years (the maximum period allowed by section 11O of the Act).
4. As required by section 11T of the Act, the ERA will publish a notice of the grant of licence in the Government Gazette as soon as practicable.

Reasons

5. On 9 December 2016, Origin Energy [applied](#) for a gas trading licence to sell gas to small use customers within the Coastal Supply Area.³
6. Section 11G of the Act requires a person to hold a gas trading licence to sell gas to small use customers that is transported through a distribution system.

Grant of licence

7. Under section 11S(1) of the Act, the ERA must grant a licence if it is satisfied that the applicant has and is likely to retain, or will acquire within a reasonable timeframe, and is then likely to retain, the financial and technical resources to undertake the activities authorised by the licence.
8. The ERA engaged financial and technical consultants to examine Origin Energy's financial and technical resources to undertake the activities to be authorised by a licence. Following the assessment of the application:
 - The financial consultant concluded that Origin Energy complies with the financial requirements under section 11S(1) of the Act.
 - The technical consultant concluded that Origin Energy complies with the technical requirements under section 11S(1) of the Act.
9. Section 11K of the Act requires that the ERA must not grant a licence unless it is satisfied that it would not be contrary to the public interest to do so. Section 11H(3) of the Act, without limitation, specifies the matters the ERA must consider.

¹ Customers who consume not more than 1 terajoule of gas per year.

² 'Distribution system' is defined in section 3 of the Act and includes a system of pipelines, mains, and gas service pipes, designed to operate at a pressure of less than 1.9 megapascals, for the transportation of gas to customers.

³ The 'Coastal Supply Area' stretches from Geraldton to Augusta and includes the Perth metropolitan area. The boundaries of this area are defined in map ERA-GAS-013, which is part of the licence.

10. From 15 December 2016 to 13 January 2017, the ERA sought public comment on Origin Energy's licence application in accordance with the ERA's [*Public Consultation Guidelines – Electricity, Gas and Water Licences and Electricity & Gas Standard Form Contracts*](#) (**Consultation Guidelines**). The ERA received no submissions.
11. The ERA has considered the matters set out in section 11H(3) of the Act, as required by section 11K. Having regard to this, and the assessments of Origin Energy's financial and technical resources to undertake the activities to be authorised by the licence, the ERA is satisfied that granting a gas trading licence to Origin Energy would not be contrary to the public interest.

Approval of standard form contract

12. Section 11WE of the Act provides that the ERA must not grant, renew or approve a transfer of a licence unless the applicant has submitted a draft standard form contract, and the ERA has approved the standard form contract under which the applicant will supply gas to customers pursuant to the licence.
13. Origin Energy provided its draft standard form contract for the supply of gas to small use customers with its licence application. The ERA provided feedback to Origin Energy regarding the contract. In response to this feedback, Origin Energy amended the draft contract.
14. In accordance with the Consultation Guidelines, the ERA undertook public consultation on the proposed standard form contract from 7 April 2017 to 3 May 2017. The ERA received one [submission](#), from a member of the public, Mr Stephen Stockwell.
15. Mr Stockwell raised six points about Origin Energy's standard form contract, which, along with Origin Energy's response, are set out below:
 - 15.1 Mr Stockwell suggested that the description of green gas was not adequate to address the requirement in the *Energy Coordination (Customer Contracts) Regulations 2004*. Origin Energy amended the contract to include further detail about the green gas product.
 - 15.2 Mr Stockwell suggested that some of the credit reporting provisions in the contract were out of date. Origin Energy amended the contract to remove the relevant provisions.
 - 15.3 Mr Stockwell suggested that it was not clear what was meant by the term 'payment schedule' in clause 11. Origin Energy removed the term 'payment schedule' from the contract.
 - 15.4 Mr Stockwell queried whether clause 11 should also include an invitation to customers experiencing payment difficulties to contact the retailer. Origin Energy amended the contract to include reference to customers experiencing payment difficulties.
 - 15.5 Mr Stockwell suggested that Origin Energy provide a copy of the "details" document to the ERA for approval as part of the standard form contract. The ERA received confirmation from Origin Energy that the "details" document does not purport to alter the standard form contract terms and conditions. The ERA agrees that the standard form contract does not need to be amended.

- 15.6 Origin Energy confirmed that they will not be offering the standard form contract as an unsolicited consumer agreement, therefore no action was required in relation to Mr Stockwell's comments about unsolicited consumer agreements.
16. Under section 11WF of the Act, the ERA must not approve a standard form contract if it considers that the contract will not meet the requirements of the *Energy Coordination (Customer Contracts) Regulations 2004*, will be inconsistent with the Act or any other written law, or will be inconsistent with any term, condition or provision of the licence.
17. The ERA has considered Origin Energy's proposed gas standard form contract and is satisfied that it meets the requirements of section 11WF of the Act.