



27 October 2017

Mr Con Sagonas
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne VIC 3000

By email - energy.submissions@esc.vic.gov.au

Dear Mr Sagonas

Review of unaccounted for gas benchmarks: Draft Decision - Calculation

Origin welcomes this opportunity to respond to the Essential Services Commission's (the Commission) draft decision on the calculation of unaccounted for gas (UAFG) benchmarks. We appreciate the consultation process conducted by the Commission through this review including workshops it has facilitated for stakeholders.

Origin supports the calculation of UAFG benchmarks for class A and B customers for the declared and non-declared transmission systems as set out in the draft decision. While we acknowledge the shortcomings associated with the availability of actual settled data to feed into the revealed cost approach to UAFG, the benchmarks calculated have been determined in accordance with regulatory requirements and are likely to be the best estimates of efficient UAFG levels in the Victorian gas distribution networks. Like the distribution businesses, Origin would prefer the use of the most recently and up to date data, but understand the Commission is constrained to use the best available data in calculating the UAFG benchmarks.

While we support the use of three year average of settled data to calculate class B UAFG benchmarks, we also believe there is value in examining the long term trend in efficient UAFG; not for the purpose of calculating benchmarks, but rather as a reference for the Commission and industry to measure performance over a longer period of time. The purpose of such an examination would be to inform future requirements and policy efforts that may be required to improve the UAFG framework and we do not propose this would be an input into the current review.

Origin also acknowledges that efficient UAFG does not mean a benchmark of zero per cent, which would be impossible to achieve at any level of investment. We do however expect that over time UAFG levels decrease to an efficient level and agree that mains replacement programs will contribute to lower UAFG, noting this is not the purpose of such investment, which is focused on safety and reliability. However, the examination of long term trends in UAFG benchmarks as noted above, should correlate with investment in mains replacement.

Origin welcomes discussion on any of the points raised in this response with the Commission. Should you wish to discuss this response further, please contact David Calder in the first instance.

Yours sincerely

A handwritten signature in blue ink, consisting of a series of connected loops and a final vertical stroke.

Steve Reid
Manager – Wholesale Regulatory Policy