

Select Committee on Electricity Supply, Demand and Prices in NSW

Questions on Notices Origin Energy

1. **The Hon. ADAM SEARLE:** How do you price the electricity that you buy from yourselves?

Origin generates around half of the electricity by volume that it sells to its customers across the National Electricity Market and buys around half from the market. Origin prices electricity from its own generation at market price. The market price is generally taken from electricity futures prices that are listed on the Australian Stock Exchange.

Large customers are priced throughout the year at the prevailing market prices. These market prices are adjusted regularly to reflect changes to listed futures prices and prices in the market from other retailers, to ensure that Origin is competitive. Mass market customers comprising residential and Small and Medium Enterprise customers have their prices adjusted annually, on 1 July in NSW and most other states.

2. **The Hon. ADAM SEARLE:** I am happy for you to take this question on notice. From 2014 to 2016 what has been your revenue, what has been your taxable income and what tax have you actually paid in this country?

The following table shows Origin's revenue, profit and tax paid from financial year 2014 to financial year 2017. The tax paid includes prepaid tax. If prepaid tax was to be excluded then the figures would be revised to \$90 million in FY14 and nil in FY17. Origin is a signatory to the voluntary tax transparency code and more detail on our tax paid is available in our annual tax contribution reports published on our web site from FY16.

	FY14	FY15	FY16	FY17
Revenue (\$ million)	14,518	11,550	11,923	13,646
Profit or (loss) before corporate tax (\$ million)	747	(648)	(702)	(2,299)
Corporate tax paid (\$million)	105	-	-	37

Origin's average underlying tax rate was 29.9% of earnings over the past 13 years from FY05 to FY17. However, over the past three years Origin did not make company tax payments. This is due to a combination of tax losses as a result of significant investments in growth projects, Origin not making a profit, and the utilisation of franking deficits tax that was paid as a prepayment of corporate tax. Our aim is to return to profitability and therefore again pay corporate tax, possibly as soon as the current financial year.

3. **The CHAIR:** I want to also ask you about something else. I want to know about your hardship numbers for the past three years. If you do not have them you can take the question on notice. Can you indicate for the past two years particularly what your hardship numbers were—how many people have applied for hardship provisions?

The table below shows the number of customers in NSW for both electricity and gas on the Origin hardship program as of April 2018 and over the past three years. Any customer who identifies as being in financial hardship is able to apply for and enter the program.

NSW Customers on the Origin Hardship Program				
	June 2015	June 2016	June 2017	April 2018
Electricity	8,904	7,425	11,488	15,581
Gas	877	1,155	1,797	2,412
TOTAL	9,781	8,580	13,285	17,993

At the last electricity price reset in July 2017 we in effect froze prices for those in our financial hardship program and those that have subsequently entered it. In addition, we ensure these customers are protected from disconnection, are on our best guaranteed offer and can access other advice and assistance under our hardship program.

4. **The Hon. TAYLOR MARTIN:** Eraring is expected to close in the early 2030s; is that correct? It is early days, but do you have any plans for generation capacity in the Lake Macquarie area?

Origin manages its wholesale portfolio including own generation and long term power purchase agreements to ensure that we are meeting our customers' requirements for a reliable, affordable and sustainable supply of electricity. We have current plans that are committed or advanced for new and expanded generation projects across the National Electricity Market in gas, hydro, wind and solar.

Origin has committed to closing Eraring Power station in the early-2030's at the end of its technical life. We have no firm plans at this point in time in regard to the type or location of replacement generation capacity. We currently have no firm plans for the power station site in the Lake Macquarie area. We will firm up our plans for both our wholesale portfolio and the power station site well in advance of retirement.

5. **The CHAIR:** I would like to see something from Origin on the Shoalhaven?

The Shoalhaven expansion project is an exciting opportunity to double the scheme's pumped hydro capacity with no requirement for new dams or transmission lines. Details of the project are included in the attached presentation.

6. **The Hon. ADAM SEARLE:** What are your retail margins since price deregulation in this State?

This information is commercially and market sensitive and has been provided to the Committee on a confidential basis.