Draft Voluntary Transitional Pricing Arrangements for Country Energy
for supply of natural gas to small gas customers
(consuming 0-1 TJ a year)
1 July 2007 to 30 June 2010

The Independent Pricing and Regulatory Tribunal of New South Wales (the Tribunal) and Country Energy each agree to the following Voluntary Transitional Pricing Arrangements (VTPA).

1. Background

1.1 The Tribunal notes that Country Energy has advised that the pricing arrangements for the period 1 July 2007 to 30 June 2010 are expected to result in prices that increase at or below CPI.

1.2 Country Energy and the Tribunal wish to continue the light-handed approach to default prices for small gas customers (consuming 0-1 TJ natural gas a year) that was established under the Voluntary Pricing Principles July 2001 to June 2004 and continued under Voluntary Transitional Pricing Arrangements July 2004 to June 2007.

1.3 The Tribunal notes that Country Energy is of the view that at the cessation of the VTPA prices should be set by market forces, but that this will ultimately be a matter for government policy.

2. Application

2.1 This VTPA will apply to default prices for small gas customers for the period 1 July 2007 to 30 June 2010.

2.2 This VTPA replaces any previous such voluntary transitional pricing arrangements between the Tribunal and Country Energy.

2.3 Nothing in this VTPA affects the Tribunal’s ability to impose a Gas Pricing Order pursuant to section 27 of the Gas Supply Act or any other powers of the Tribunal.

3. Arrangements for default prices

3.1 Country Energy undertakes to:

   (a) Make default prices available to all small gas customers.

   (b) Allow small gas customers who have accepted a competitive market offer to revert to Country Energy’s default prices without penalty once they have met their contractual obligations.

3.2 Country Energy may vary the default prices for small gas customers without approval from the Tribunal provided that the average default price increase is at or below CPI.

3.3 Country Energy is required to advise the Tribunal of the increase in default prices by 1 June of each year for effect from 1 July of that year and provide supporting information showing that average default prices have varied within the limits in paragraph 3.2 above.
3.4 Country Energy will publish its default prices on its website within 5 calendar days of the Tribunal notifying Country Energy that it agrees that its price changes are within the limits in paragraph 3.2 above.

3.5 Should Country Energy consider it necessary as a result of special circumstances (as defined in paragraph 3.6 below) to vary average default prices outside of the limits in paragraph 3.2 then the Tribunal’s agreement is required and:

(a) Country Energy must advise the Tribunal no later than 4 months before the date of effect of the increase (e.g. by 1 March for 1 July increase). This period may be varied by the mutual agreement of Country Energy and the Tribunal.

(b) Country Energy must provide a justification statement to the Tribunal specifying the basis of the increase and providing relevant information supporting the increase.

(c) The Tribunal may undertake an investigation of relevant costs incurred by Country Energy to satisfy itself of the validity of the increase proposed.

(d) Country Energy will provide reasonable cooperation with the Tribunal during such reviews.

(e) The Tribunal will notify Country Energy in writing of its decision on the proposed price variation 15 calendar days prior to the proposed date of effect of the increase.

3.6 For the purposes of paragraph 3.5, special circumstances include, but are not limited to, events that result in changes to costs such as regulatory changes, taxation changes, an unanticipated field price review or fundamental changes to gas market frameworks and arrangements.

4. Arrangements for miscellaneous charges

4.1 In relation to miscellaneous charges, the Tribunal and Country Energy agree that:

(a) Any variation to existing miscellaneous charges other than to reflect changes in CPI or to pass through increases in third party costs will be subject to the Tribunal’s agreement prior to implementation.

(b) Any proposed new miscellaneous charge will not be introduced without the Tribunal’s agreement. Country Energy agrees that new miscellaneous charges will be established on a cost reflective basis.

4.2 Where Country Energy proposes an increase or introduction of a miscellaneous charge that requires the Tribunal’s agreement:

(a) Country Energy must advise the Tribunal no later than 4 months before the date of effect of the miscellaneous charge (e.g. by 1 March for 1 July increase). This period may be varied by the mutual agreement of Country Energy and the Tribunal.

(b) Country Energy must provide a justification statement to the Tribunal specifying the basis of the miscellaneous charge and providing relevant information supporting the increase.
(c) The Tribunal may undertake an investigation of relevant costs incurred by Country Energy to satisfy itself of the validity of the miscellaneous charge proposed.

(d) Country Energy will provide reasonable cooperation with the Tribunal during such reviews.

(e) The Tribunal will notify Country Energy in writing of its decision on the proposed price variation 15 calendar days prior to the proposed date of effect of the increase.

4.3 Country Energy will publish its miscellaneous charges on its website within 5 calendar days of the Tribunal notifying Country Energy that it agrees with the increase or introduction of a miscellaneous charge proposed by Country Energy in accordance with paragraph 4.2 above.

5. Definitions

In this VTPA:

(a) **CPI** means the consumer price index, All Groups index number for the weighted average of eight capital cities as published by the Australian Bureau of Statistics, or if the Australian Bureau of Statistics does not or ceases to publish the index, then CPI will mean an index determined by the Tribunal that is its best estimate of the index.

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CPI(X) = \left( \frac{CPI_{Jan(X-1)} + CPI_{Jun(X-1)} + CPI_{Sep(X-1)} + CPI_{Dec(X-1)}}{CPI_{Mar(X-2)} + CPI_{Jun(X-2)} + CPI_{Sep(X-2)} + CPI_{Dec(X-2)}} - 1 \right) \times 100\%
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(b) **default price** means a fee or charge for the supply of natural gas to a small gas customer by Country Energy under a standard form customer supply contract excluding miscellaneous charges.

(c) **Gas Supply Act** means the *Gas Supply Act 1996 (NSW)*.

(d) **miscellaneous charge** means a fee or charge in addition to the default price for the supply of natural gas to a small gas customer by Country Energy under a standard form customer supply contract as published by Country Energy on its website in accordance with paragraph 4.3 (including but not limited to an account establishment fee, late payment fee, fee for dishonoured payment and fee for special meter read).

(e) **small gas customer** means a small retail customer whose consumption of natural gas at a premises is 0-1 TJ a year.

(f) **small retail customer** has the same meaning given to that term under the Gas Supply Act.

(g) **standard form customer supply contract** has the same meaning given to that term under the Gas Supply Act.
(h) **standard supplier** has the same meaning given to that term under the Gas Supply Act

6. **Interpretation**

In this VTPA:

(a) reference to an Act, legislation or law includes regulations, rules, codes and other instruments under it and consolidations, amendments, re-enactments or replacements of them;

(b) words importing the singular include the plural and vice versa (for instance, the reference to a default price includes default prices and vice versa);

(c) headings are for convenience only and do not affect the interpretation of this VTPA.