

3 February 2010

Mr James Cox
Chief Executive Officer
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Dear Mr Cox,

New South Wales Retail Miscellaneous Fees and Charges VTPA for Gas 2010-13

On 18 December 2009, ActewAGL Retail (ActewAGL) submitted a response to IPART's Issues Paper on the review of regulated retail tariffs and charges for gas 2010-13. IPART has since sought clarification on ActewAGL's proposed miscellaneous fees and charges for the three year period 2010-13. Specifically, IPART has asked ActewAGL for its current and proposed miscellaneous fees and charges and whether a premium or administration fee is charged on top of any network miscellaneous charges.

For the 2010-13 regulatory period, ActewAGL proposes:

- to increase its miscellaneous fees and charges by no more than CPI on average in each year of the regulatory period (the proposed charges are included in Appendix A to this letter);
- that standard retail miscellaneous charges be aligned with corresponding network miscellaneous fees and charges;
- to continue not to add any premium on network charges, despite the additional costs in managing this process, but should circumstances change ActewAGL believes that the miscellaneous fees and charges should be adjusted in line with the special circumstances provision; and
- that the approved VTPA permit the pass through of future changes in network miscellaneous charges. This would provide a more efficient process rather than conducting a regulatory review to approve such changes.

ActewAGL recognises that there are variances between some of the disconnection, reconnection and special meter read charges and their corresponding ancillary network charges. In most instances, ActewAGL does not fully recover the applicable network charge.

ActewAGL's NSW customers are supplied via 3 stand alone networks: Capital Region (Jemena 'coastal' network), Queanbeyan & ACT and Shoalhaven (ActewAGL Distribution network). This makes it impossible to keep prices both cost reflective and consistent across regions and sectors, as structures are not uniform across different network areas. In the 2007-10 review, IPART did not consider consistency of miscellaneous charges appropriate in a lighter-handed regulatory framework.¹

Since ActewAGL's first VTPA in 2004, miscellaneous fees and charges have not been increased by more than CPI on average in any year with the exception of 2005/06. In this year (2005/06), ActewAGL aligned charges in the Capital Region with the related ancillary charges approved by IPART in the Final Decision on the Revised Access Arrangement for AGL Gas Networks². Charges in the Queanbeyan region were also varied where they related to ancillary charges approved by the Independent Competition and Regulatory Commission in its Final Decision on the Access Arrangement for ActewAGL Natural Gas System in ACT, Queanbeyan and Yarrowlumla (now Palerang). This resulted in different

¹ IPART. 2007. *Final Report and Voluntary Transitional Pricing Arrangements - Promoting retail competition and investment in the NSW gas industry - Regulated gas retail tariffs and charges for small customers 2007 to 2010*. p. 9

² IPART, Revised Access Arrangement for AGL Gas Networks, April 2005.

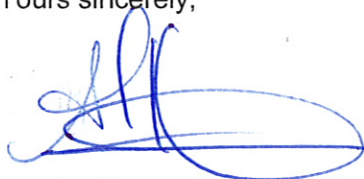
miscellaneous fees and charges across the three regions. ActewAGL has not sought any similar realignment since then.

From 1 July 2010, ActewAGL proposes to adjust its miscellaneous fees and charges so that they directly reflect the network charges incurred. ActewAGL believes this to be consistent with IPART's role ensuring retail gas tariffs reflect the efficient costs of supplying gas to small retail customers.³ The proposed changes are specified in Appendix A. As stated in the 18 December submission, ActewAGL has not imposed a service or administrative premium to the network charge but maintains that managing network charges imposes additional costs on retailers. ActewAGL believes it would be commercially reasonable to add a service premium to network miscellaneous charges.

ActewAGL notes that both Jemena Gas Networks⁴ and ActewAGL Distribution⁵ are proposing to increase their network miscellaneous charges by CPI in each year in the period 2010-15. However IPART should be aware that ActewAGL will not be able to finalise the network miscellaneous fees and charges until the final decisions on ActewAGL Distribution's and Jemena's network charges for 2010-15 are released by the AER in April and May respectively. This is consistent with estimating the proposed tariff increase and the application of the proposed annual adjustment mechanism and special circumstances provision contained in ActewAGL's proposed VTPA.

Should you have any queries regarding this letter, please contact Mr David Graham, Director Regulatory Affairs and Pricing, on 6248 3605.

Yours sincerely,



Ayesha Razzaq
General Manager ActewAGL Retail

³ NSW Minister for Primary Industries, Energy, Mineral Resources and State Development 2009, Letter to the Independent Pricing and Regulatory Tribunal, August.

⁴ Jemena Gas Networks (NSW) Ltd. August 2009. *Gas Access Arrangement*. p. 16

⁵ ActewAGL Distribution. January 2010. *Access arrangement for the ACT, Queanbeyan and Palerang gas distribution network*. p. 28

Appendix A. ActewAGL's NSW current and proposed gas miscellaneous fees and charges

NSW Gas miscellaneous fees and charges				
<i>QBYN and Bungendore prices (exc. GST)</i>	<i>Proposed</i>			
	2009/10	2010/11	2011/12	2012/13
3 Miscellaneous fees and charges				
3.1 Account establishment fee	\$ 23.40	\$ 23.83	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$
3.2 Account establishment fee (pensioners)	\$ 11.50	\$ 11.71	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$
3.3 Collector call fee	\$ 35.40	\$ 36.04	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$
3.4 Disconnection/reconnection fee	\$ 83.10	\$ 84.61	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$
3.5 After-hours reconnection	\$ 119.00	\$ 121.17	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$
3.6 High bill field visit	\$ 58.10	\$ 59.16	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$
3.7 Late payment fee	\$ 11.50	\$ 11.71	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$
3.8 Dishonoured payment	\$ 24.90	\$ 25.35	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$
3.9 Special meter read*	\$ 47.30	same as network charge	same as network charge	same as network charge
3.1 Network disconnection fee	\$ 121.30	same as network charge	same as network charge	same as network charge
3.11 Network reconnection fee	\$ 89.60	same as network charge	same as network charge	same as network charge
3.12 Meter testing charges:				
• 12 cubic meters	\$ 49.80	\$ 50.71	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$
• 33 cubic meters	\$ 71.10	\$ 72.39	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$
• 85 cubic meters	\$ 95.00	\$ 96.73	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$
• 300 cubic meters	\$ 357.40	\$ 363.90	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$
• 880 cubic meters	\$ 953.50	\$ 970.85	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$
3.13 Security deposit				
residential (refund after residential bills paid on time for one year)	up to 15 times the average quarterly account (standard charge \$150)	up to 15 times the average quarterly account	up to 15 times the average quarterly account	up to 15 times the average quarterly account
business (refund after business bills paid on time for two years)	2.5 times the average monthly account	2.5 times the average monthly account	2.5 times the average monthly account	2.5 times the average monthly account

<i>Shoalhaven (exc. GST)</i>				
	<i>Proposed</i>			
	2009/10	2010/11	2011/12	2012/13
3 Miscellaneous fees and charges				
3.1 Account establishment fee	\$ 23.40	\$ 23.83	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$
3.2 Account establishment fee (pensioners)	\$ 11.50	\$ 11.71	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$
3.3 Collector call fee	\$ 35.40	\$ 36.04	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$
3.4 Disconnection/reconnection fee	\$ 83.10	\$ 84.61	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$
3.5 After-hours reconnection	\$ 118.90	\$ 121.06	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$
3.6 High bill field visit	\$ 58.10	\$ 59.16	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$
3.7 Late payment fee	\$ 11.50	\$ 11.71	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$
3.8 Dishonoured payment	\$ 24.90	\$ 25.35	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$
3.9 Special meter read*	\$ 42.90	same as network charge	same as network charge	same as network charge
3.10 Network disconnection fee	\$ 108.00	same as network charge	same as network charge	same as network charge
3.11 Meter testing charges:				
• 12 cubic meters	\$ 49.80	\$ 50.71	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$
• 33 cubic meters	\$ 71.10	\$ 72.39	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$
• 85 cubic meters	\$ 95.00	\$ 96.73	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$
• 300 cubic meters	\$ 357.30	\$ 363.80	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$
• 880 cubic meters	\$ 953.50	\$ 970.85	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$
3.13 Security deposit				
residential (refund after residential bills paid on time for one year)	up to 15 times the average quarterly account (standard charge \$150)	up to 15 times the average quarterly account	up to 15 times the average quarterly account	up to 15 times the average quarterly account
business (refund after business bills paid on time for two years)	2.5 times the average monthly account	2.5 times the average monthly account	2.5 times the average monthly account	2.5 times the average monthly account

Capital (exc. GST)		Proposed			
	2009/10	2010/11	2011/12	2012/13	
3 Miscellaneous fees and charges					
3.1 Account establishment fee	\$ 23.40	\$ 23.83	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$	
3.2 Account establishment fee (pensioners)	\$ 11.50	\$ 11.71	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$	
3.3 Collector call fee	\$ 35.40	\$ 36.04	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$	
3.4 Disconnection/reconnection fee	\$ 83.10	\$ 84.61	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$	
3.5 After-hours reconnection	\$ 119.00	\$ 121.17	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$	
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3.7 Late payment fee	\$ 11.50	\$ 11.71	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$	
3.8 Dishonoured payment	\$ 24.90	\$ 25.35	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$	
3.9 Special meter read*	\$ 42.90	same as network charge	same as network charge	same as network charge	
3.10 Network disconnection/reconnection fee:					
• meters with capacity of up to 6m ³ /hr - Residential fee	\$ 90.30	same as network charge	same as network charge	same as network charge	
• meters with capacity greater than 6m ³ /hr - Business fee	\$ 317.10	same as network charge	same as network charge	same as network charge	
3.12 Meter testing charges:					
• 12 cubic meters	\$ 49.80	\$ 50.71	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$	
• 33 cubic meters	\$ 71.10	\$ 72.39	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$	
• 85 cubic meters	\$ 95.00	\$ 96.73	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$	
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• 880 cubic meters	\$ 953.50	\$ 970.85	$T_2^*(1+CPI T_3)$	$T_3^*(1+CPI T_4)$	
3.13 Security deposit					
residential (refund after residential bills paid on time for one year)	up to 1.5 times the average quarterly account (standard charge \$150)	up to 1.5 times the average quarterly account	up to 1.5 times the average quarterly account	up to 1.5 times the average quarterly account	
business (refund after business bills paid on time for two years)	2.5 times the average monthly account	2.5 times the average monthly account	2.5 times the average monthly account	2.5 times the average monthly account	

* A special meter read charge mostly applies to moves in and out of premises.

Adjustment Formulae

Define time as follows:

- T_1 is price the regulatory year 2009/10
- T_2 is price the next regulatory year 2010/11
- T_3 is price in the regulatory year 2011/12
- T_4 is price in the regulatory year 2012/13

CPI equals:

$$CPI(X) = \left(\frac{CPI_{Jan(X-1)} + CPI_{Sep(X-1)} + CPI_{Dec(X-1)} + CPI_{Mar(X)}}{CPI_{Jan(X-2)} + CPI_{Sep(X-2)} + CPI_{Dec(X-2)} + CPI_{Mar(X-1)}} - 1 \right) \times 100\%$$

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.