

17 May 2012

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

Email: Rebecca_Bishop@ipart.nsw.gov.au

Dear Mr Cox

IPART'S 2013 WATER PRICE REVIEW AND MERGER OF ESSENTIAL ENERGY

Essential Energy is writing in response to your letter dated 26 April 2012 which asked for views on the approach IPART should take on the 2013 price review of Essential Energy's water and sewerage services.

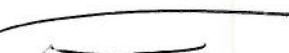
Essential Energy is confident it can meet the information requirements in accordance with the indicative review timetable attached as Appendix A to IPART's letter. However, the NSW Government's recent announcement relating to structural changes of NSW distribution network service providers has created uncertainties in being able to predict the exact nature and final outcomes of these changes. For this reason, Essential Energy believes it would be appropriate to delay the price review by one year as suggested by IPART in the letter.

Essential Energy understands the delay means that the maximum prices in the current determination prevailing at 30 June 2013 will continue to apply until a new determination is made and replaces it. However, in considering this delay, it is also important for IPART to note that this may lead to future price shocks at the time the next determination is made.

In the event that a delay of one year is granted by IPART, Essential Energy believes it is important that work continues and communication channels are maintained so that the price review process can progress, albeit over an extended timeframe. This will allow adequate time for both IPART and Essential Energy to fully consider the options available to advance the price review process.

Essential Energy would be pleased to discuss this matter further. Should you require further information or clarification please feel free to contact Natalie Lindsay on 02 6589 8419.

Yours sincerely

A handwritten signature in black ink, appearing to read "Terri Benson".

Terri Benson
Managing Director