



20 May 2013

Mr Alexis van Der Weyden
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office
NSW 1230

Lodged electronically
CC: alexus_vanderweyden@ipart.nsw.gov.au

Dear Mr van der Weyden,

REVIEW OF REGULATED RETAIL TARIFFS AND CHARGES FOR GAS 2013-2016

Origin appreciates the opportunity to continue to develop a voluntary pricing arrangement (VPA) for the Albury/Moama, NSW Murray Valley and ex Country Energy areas.

Origin shares IPART's view that competition in the NSW gas market is now effective and that the removal of gas price regulation will offer customers more choices and better price and service outcomes. The NECF is to be implemented on 1 July 2013 in NSW; this framework was designed to support energy markets without price regulation and provides a high standard of consumer protection.

While all other states where Origin is active have now removed gas price regulation, IPART is required to continue regulating gas prices. So long as regulation continues, it is essential that prices be cost reflective so as to protect and promote competition within the retail gas market, and that a light handed regulatory framework be applied. Origin acknowledges that IPART has sought to deliver against these objectives in keeping with its terms of reference.

Origin supports the broad conclusions of IPART's draft gas determination and is pleased that IPART has accepted Origin's pricing proposal.

As emphasised in IPART's report the gas market is entering a period of significant change, with substantial shifts in the balance of supply and demand driven by the development of liquefied natural gas facilities in Queensland. It is critical that the regulatory framework be capable of responding to resulting changes in wholesale gas prices; to this end Origin welcomes IPART's draft decision to hold periodic reviews of the retail component.

Origin agrees with the basis of the VPA set out in Attachment C of IPART's draft report and supports:

- a build-up of regulated retail prices based on Network + Retail + Climate change-related costs (N+R+C);
- a pass through of network prices (the N component) to customers;
- a weighted average price cap (WAPC) that applies to the R component (with no additional side constraints);
- an R value for 2013/14 only, with a periodic review of the R component in 2014 and 2015 for 2014/15 and 2015/16 respectively (with no materiality threshold);

- a C component for 2013/14 only, with annual reviews of the C Component in 2014 and 2015;
- a special circumstance clause that allows standard retailers to apply for cost increases associated with 'special circumstances' to be passed through to regulated prices (without any materiality threshold)

Origin is currently reviewing the draft VPA and will continue to work with IPART to formalise the VPA. Origin also notes that with the introduction of NECF it is likely to levy a merchant service fee for accounts paid by credit card at 0.6%.

Should you have any questions or wish to discuss this information further, please contact Keith Robertson (Manager, Retail Regulatory Policy) on (02) 9503 5674.

Yours sincerely,



Phil Moody
Group Manager - Energy Market Regulatory Development
Energy Risk Management