



18 April 2013

Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

By email: ipart@ipart.nsw.gov.au

Dear Alexis

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

Origin provided the Independent Pricing and Regulatory Tribunal (IPART) with a draft voluntary transitional pricing arrangement (VTPA) for the Albury/Moama, NSW Murray Valley and former Country Energy districts in November 2012. Origin's proposal highlighted particular challenges in establishing wholesale and carbon costs beyond 2013/14.

Origin and IPART have discussed a number of ways in which the VTPA could accommodate these risks. Origin confirms that a suitable framework would be for the VTPA to apply:

- a Network + Retail + Carbon ('N + R+ C') build-up of regulated retail prices;
- a pass through of network prices (N component) to customers;
- a Weighted Average Price Cap 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
- a C component for 2013/14 only, with annual reviews of the C Component in 2014 and 2015;
- a special circumstance clause that allows a standard retailer to apply for cost increases associated with 'special circumstances' to be passed through to regulated prices

Origin's VTPA submission in November 2012 expressed the increase in a carbon inclusive R component on a CPI+X basis. In moving to an N + R + C framework this will need to be updated for a carbon exclusive R value.

In estimating the carbon component for FY14 Origin understands that IPART's preference is to adjust the 2012/13 carbon cost allowance in line with the change in the legislated carbon price and application of a retail margin of 8%. On this basis Origin has recalculated its proposed R values as follows:

- a weighted average price increase for the Retail Component of the Default Prices for the Murray Valley/Albury district from 1 July 2013 to 30 June 2014 at or below the change in CPI for the previous Financial Year + 5.7%;
- a weighted average price increase for the Retail Component of the Default Prices for the former Country Energy district from 1 July 2013 to 30 June 2014 at or below the change in CPI for the previous Financial Year + 4.9%;

The proposed adjustment to the R component is consistent with our November submission resulting in a 5.5% nominal increase in the standing tariff in the Albury/Murray Valley district and a 6.4% increase in the former Country Energy district (assuming CPI at 2.8%).

Should you have any queries with this proposal please contact Keith Robertson on 02 9503 5674.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Phil Moody', written in a cursive style.

Phil Moody
Group Manager - Energy Markets Regulatory Development