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9 May 2013

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

By email

Dear Mr Cox,

Review of regulated retail prices and charges for gas, 2013 to 2016 – AGL's Revised Pricing Proposal

AGL had provided the Independent Pricing and Regulatory Tribunal ('IPART') with a pricing proposal in November 2012 for regulated retail prices and charges for gas from 1 July 2013 to 30 June 2016 based on the N+R+C approach. AGL had proposed an increase in the Retail Component for 2013/14 of CPI+7.7%. This proposal had been based, amongst other things, on AGL's view that a reasonable retail margin would be 8% of revenue. This retail margin was also consistent with the range which IPART had considered to be reasonable in the 2010 review.

On 23 April 2013, IPART released their Draft Report on 2013-16 regulated retail prices and charges for gas. IPART has considered that an increase in the Retail Component of AGL's gas prices for 2013/14 of CPI+5.1% to be consistent with balancing the longer and shorter term objectives for this price review. AGL notes that the reasonable range for margin in the Draft Report has been reduced to 6.3% to 7.3%.

Whilst AGL remains of the view that a reasonable retail margin to be in line with the benchmark used in IPART's 2010 review, AGL confirm that the pricing proposal for 2013/14 is now amended to an increase in the Retail Component of CPI+5.1% in line with IPART's Draft Decision.

The proposed Carbon Component based on the legislated price of \$24.15/tonne in 2013/14 remains unchanged and is in line with the Draft Report.

Based on the draft Jemena network charges for 2013/14 which are expected to increase by 11.7% on average, total retail price (=N+R+C) for AGL's gas retail prices will increase on average by 9.2%.

If you have any questions in relation to this revised proposal, please contact Meng Goh on (02) 9921 2221 or mgoh@agl.com.au.

Yours sincerely,

A handwritten signature in black ink that reads 'Beth Griggs'.

Beth Griggs
Head of Energy Market Regulation