

**PUBLIC
INTEREST
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Mr Gary Drysdale
Review of Country Energy's Voluntary Pricing Principles
Independent Pricing and Regulatory Tribunal (IPART)
PO Box Q290
QVB Post Office NSW 1230

7 November 2001

Dear Gary

Thank for the opportunity for PIAC to comment on the Tribunal's Draft Report, Review of the *Delivered Price of Natural Gas to Low-Usage Customers Served by Country Energy* released in October 2001.

PIAC will again express our preferred policy position for the imposition of gas pricing orders on the incumbent gas retailers in NSW in preference to voluntary pricing principles favoured by the Tribunal for both AGL Energy Sales and Marketing Ltd and Country Energy. Gas pricing orders provide residential consumers with more certainty, particularly when the introduction of retail competition is unlikely to benefit many households. PIAC believes the majority of households will remain with their incumbent supplier.

PIAC can only reiterate the comments we made in our submission to the Tribunal Issues Paper, *Gas Pricing in Wagga Wagga and other Regional Centres in NSW Supplied by Origin Energy and Great Southern Energy* in June 2001 that the proposed price constraints for Wagga Wagga are too generous. The price constraints will result in price shocks for low-usage customers, particularly when the average gas bill is \$ 70 per quarter and those customers who are on only the residential general tariff will be adversely affected. The Tribunal should consider lesser price increases for the households on this tariff in their final Determination with the result that these customers will take longer to be cost reflective for Country Energy. PIAC does not believe that a longer timeframe for these households' tariffs to become cost reflective will hinder the introduction of a competitive market because we expect that a competitive market will not be established in Wagga Wagga in the foreseeable future. In other words, the theory of competitive markets will not be realised in practice. These comments also pertain to low usage households in Culcairn, Holbrook, Henty and Temora.

Another issue that requires careful consideration in the draft Determination is an allowance for Country Energy of \$45 per customer, to cover other retail costs, which is consistent with the Tribunal's decision regarding the electricity sector and AGLRE.

Country Energy is presently the only retailer in NSW providing gas and electricity to residential customers. The point that PIAC wants to make on this issue is that there must be economies of scale in providing both types of energy, for example, a single billing system that may mean this allowance of \$45 is too high for residential consumers in Wagga Wagga.

PIAC is pleased that the Tribunal will require that Country Energy to gain the Tribunal's approval for any changes in their miscellaneous charges as we recommended in our submission to the Tribunals Issues Paper. Another requirement that could be placed on Country Energy is for them to consult with their Customer Council before any changes to their miscellaneous charges are submitted for approval to IPART.

If you have any queries about the issues raised in this correspondence, please do not hesitate to contact me on 9299-7833.

Yours sincerely
Public Interest Advocacy Centre

A handwritten signature in black ink that reads "Trish Benson". The signature is written in a cursive, slightly slanted style.

Trish Benson
Senior Policy Officer