



James Cox
Chief Executive Officer
Independent Pricing and Regulatory Tribunal
PO Box 290, QVB Post Office

31 May 2012

Dear Mr Cox,

Carbon Component of Default Prices from 1 July 2012 – revised proposal

On 6 March 2012, AGL submitted to the Tribunal an application under the Voluntary Transitional Pricing Arrangements for AGL Retail Energy Ltd (1 July 2010 to 30 June 2013) to allow the default prices to be varied by an amount that reflects costs relating to the introduction of a carbon pricing scheme.

Since this application was submitted, AGL has continued to review the operating costs related to the implementation of the Clean Energy Act 2011, and following a number of discussions with the Secretariat, we have revised our proposal to reflect a re-assessment of retail operating costs from \$0.13/GJ to \$0.05/GJ. Due to rounding, the retail margin adjustment has remained unchanged.

In summary, the total carbon component has been revised from \$1.78/GJ to \$1.70/GJ (excluding GST) as detailed below:

Table 1 – Revised Carbon Component (excluding GST)

	Carbon cost \$/GJ
Total direct carbon costs	\$1.52
Carbon related retail opex	\$0.05
Retail margin adjustment – 8%	\$0.13
Carbon Component	\$1.70

The revised Carbon Component above will increase the annual bill to an average residential customer using 23 GJ a year by \$43 in 2012/13 (including GST) or 6% pa before any other changes such as network price increases. The impact on typical customers' bills is set out below:



Table 2 – Bill impact due to Carbon Component

	Usage GJ/year	Bill based on 2011/12 prices (\$ pa incl GST)	Carbon Component (\$ pa incl GST)	% increase
Residential	5	310	\$9.4	3.0%
	23	716	\$43.0	6.0%
	40	995	\$74.8	7.5%
Business	184	3,645	\$344	9.4%

If you have any queries, please do not hesitate to contact me on (03) 8633 6207 or at elizabeth.molyneux@agl.com.au.

Yours sincerely,

Elizabeth Molyneux
Head of Regulated Pricing