



11 May 2007

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

Dear Mr Cox

Default tariffs for small retail gas customers – review of Voluntary Transitional Pricing Agreements (VTPAs)

ActewAGL welcomes the opportunity to provide a response to the draft Voluntary Transitional Pricing Agreements (VTPAs) released by the Independent Pricing and Regulatory Tribunal (the Tribunal) on 11 April 2007.

ActewAGL notes that, while it believes that the NSW gas market is competitive, continuation of a light handed regulatory framework by utilising VTPAs is the most appropriate method of regulation given the Minister for Energy's request to continue with price regulation to 30 June 2010.

The draft VTPAs included a number of small amendments to those that were in place from 1 July 2004 to 30 June 2007. These are:

- the draft VTPAs do not contain any constraint on the change in individual customer bills.
- the notice period for the businesses to inform the Tribunal of special circumstances can be varied with the agreement of the Tribunal and the supplier.
- a new clause has been included which requires the standard suppliers to publish changes to regulated prices within 5 calendar days of the Tribunal approving those prices.
- the calculation of the CPI has been varied slightly to ensure consistency with the calculation used for NSW gas networks and the NSW retail electricity sector.

ActewAGL accepts these amendments to the current VTPAs as they contribute towards the further development of a competitive market in gas in NSW by maintaining the light handed form of regulation while providing retailers with increased flexibility and information.

ActewAGL notes the concerns raised by consumer representatives at the public roundtable held on 9 May 2007. In particular, these related to the removal of price constraints on the change in individual customers bills and the level of miscellaneous fees and charges.

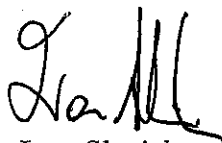
ActewAGL believes that removing the constraint on individual customer bills allows retailers to respond to the market and to tailor tariffs to best suit customers' needs and to reflect the underlying costs of supplying different types of customers (including different network costs in different regions). The threat of losing customers to competing retailers provides an effective check on any tariff increases. Competitive pressures and the CPI cap on average prices together ensure that further restrictions on individual prices are unnecessary.

ActewAGL also believes that it is appropriate to continue the current regulatory framework as it applies to miscellaneous fees and charges. ActewAGL has provided separate information to the Tribunal on the level of its miscellaneous fees and charges and the conditions surrounding when they are charged (see attached).

ActewAGL also notes that its established hardship program is designed to assist customers in financial hardship by offering customers assistance with managing their debt. ActewAGL believes that this program is an effective, targeted way of providing assistance to its customers in managing their bills.

Please contact David Graham on (02) 6248 3605 if you would like to discuss our response.

Yours sincerely



Ivan Slavich
General Manager
ActewAGL Retail