



18 May 2010

Mr James Cox
Chief Executive Officer and Acting Chairman
Independent Pricing and Regulatory Tribunal
PO Box Q290, QVB Post Office
NSW 2000

Dear Mr Cox,

Review of Regulated Retail Tariffs and Charges for Gas 2010-2013 – AGL Response to IPART Draft Report

AGL welcomes the opportunity to comment on the Draft Report released by IPART in April 2010. AGL appreciates the efforts of the Tribunal in undertaking its own analysis to ensure that the proposed regulated retail tariffs and charges reflect the efficient costs of natural gas supply to customers in NSW. In an industry where there are few public sources of data which provide transparent information on the wholesale gas supply costs, AGL is pleased to have assisted the Tribunal in providing relevant information.

AGL notes that the light-handed form of regulation under Voluntary Transitional Pricing Arrangements (**VTPA**) has been working successfully to provide pricing stability over the past six years. AGL notes that the original intention of the VTPA was to facilitate a transition to retail price deregulation, and AGL remains of the view that deregulation should be implemented by the end of the proposed VTPA.

Comment on Draft Determination

AGL is pleased that the Tribunal has found that the aggregate cost information provided by AGL supported the proposed CPI price path on the retail component and that forecast costs were consistent with those of an efficient and prudent retailer.

AGL has raised some concerns with the manner in which MMA analysed the efficient benchmark costs of a retailer supplying the NSW regulated load. While AGL is pleased to note that the Tribunal has accepted AGL's wholesale costs as being consistent with an efficient and prudent retailer, AGL maintains its position in respect of the matters in contention with MMA.

Amended Application Fees and Charges

The Tribunal has sought specific changes to non-tariff fees and charges:

- AGL to change its proposal so that the late payment fee increases more gradually over the 3 years, so that the proposed level of \$14 (plus CPI) is only charged from 1 July 2012.

- > Being selected as a member of the Dow Jones Sustainability Index 2006/07
- > Gaining accreditation under the National GreenPower Accreditation Program for AGL Green Energy®, AGL Green Living® and AGL Green Spirit
- > Being selected as a constituent of the FTSE4Good Index Series

- AGL to change its proposal so that the administration fee on network charges is capped at \$2.50 from 1 July 2010 and increase by CPI in the following years.

AGL is therefore intending to amend its proposal as follows:

- to increase the late payment fee to \$11 (excl GST) in 2010-11\$ for the period of this review.
- to adjust the administration fee on network charges as requested by the Tribunal.

Response to suggested extension of exemption for late payment fees

AGL understands that EWON continues to have concerns in relation to the application of a late payment fee, and has proposed that the exemption from late payment fees be extended to include "where considered appropriate by the Energy and Water Ombudsman".

AGL does not believe that such an exemption is necessary nor appropriate. EWON's role is that of an independent dispute resolution body, and AGL is of the view that providing EWON with such a power would extend EWON's mandate in a way that is incompatible with its role and purpose. The circumstances in which AGL will waive a late payment fee are clearly articulated in AGL's terms and conditions, and in existing regulation. EWON is currently able to make a determination to the effect a fee has been inappropriately levied on the basis of these terms and conditions and/or regulations, and retailers, as members of EWON, are bound by such a determination. Further, AGL notes that EWON is also able to suggest to retailers (including AGL) during the course of a dispute resolution process that it believes a fee has been inappropriately applied. AGL would take such advice seriously in considering its position in a matter, and may choose (at its discretion) to waive the fee in those circumstances. However, AGL does not accept that the EWON should have the power to determine that a fee should be waived in circumstances outside those articulated in the terms and conditions and existing regulations, without following due process and making a determination on the matter within the bounds of its existing jurisdiction and mandate.

Please contact me on 03 8633 6077 or egriggs@agl.com.au if you wish to discuss any aspect of this submission or require further clarification of any matter.

Yours sincerely,

Beth Griggs
Head of Regulated Pricing

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AGL is taking action toward creating a sustainable energy future for our investors, communities and customers. Key actions are:

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- > Being selected as a constituent of the FTSE4Good Index Series