

Ref: CW:JC:C1311671

14 May 2010

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

Dear Mr Cox

Gas Draft Report – Review of regulated retail tariffs and charges for 2010 - 2013

Country Energy is pleased to provide this response to the Independent Pricing and Regulatory Tribunal (IPART) regarding the *Gas Draft Report – Review of regulated retail tariffs and charges for 2010 – 2013* (Draft Report).

Country Energy has found the Voluntary Transitional Pricing Arrangements (VTPAs) to be an effective form of light handed regulation. The current framework is well understood and provides a sound mechanism for retailers to maintain prices at cost reflective levels. VTPAs assist the objective of reducing customers' reliance on regulated retail tariffs with a view to phasing out regulation pricing, and promote competition in the retail gas market.

Country Energy supports the use of a weighted average price cap (WAPC) to regulate the retail component of gas tariffs. In line with proposals by standard retailers, Country Energy agrees that the retail component of their regulated retail gas tariffs will increase subject to a WAPC equal to the change in the CPI in the previous calendar year.

Network charges are non-controllable costs and Country Energy agrees that having them as a direct pass-through is an important feature of the VTPA, providing increased transparency of underlying costs and allowing retailers to maintain their margin and financial viability.

Country Energy agrees that the retail operating costs proposed in the Draft Report are in line with what an efficient retailer would incur for retail operating costs. Country Energy is of the opinion that the retail margin is appropriate and supports the methodology employed by MMA in terms of determining the wholesale gas costs.

Country Energy also agrees with IPART that a degree of uncertainty will remain regarding carbon reduction initiatives over the next three year period. Therefore Country Energy supports the retention of the C component as a cost pass through in the event of changes to Carbon Pollution Reduction Scheme (CPRS) legislation. Country Energy also supports the retention of the special circumstance clause to address other unforeseen changes in the acquisition or transmission cost of wholesale gas.

Country Energy supports the Energy and Water Ombudsman's (EWON's) proposal regarding late fees and agrees that an additional exemption from levying the late payment fee be included "where considered appropriate by the EWON".

If you require further information or clarification please feel free to contact Natalie Lindsay on 02 6589 8419 or Catherine Waddell on 02 6338 3553.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Craig Murray', with a large, stylized flourish extending from the end of the name.

Craig Murray
Managing Director