

VOLUNTARY TRANSITIONAL PRICING ARRANGEMENTS FOR COUNTRY ENERGY

1 July 2004 to 30 June 2007

1. The Tribunal notes that Country Energy (CE) has advised that the pricing arrangements for the period 1 July 2004 to 30 June 2007 are expected to result in prices that increase at or below CPI (excluding changes in network prices).
2. CE and the Tribunal wish to continue the light-handed approach to default pricing¹ for small gas customers (consuming 0-1 TJ a year) that was established under the Voluntary Pricing Principles.
3. The Tribunal notes that CE is of the view that at the cessation of the Voluntary Transitional Pricing Arrangements prices should be set by market forces, but that this will ultimately be a matter for government policy.
4. Under these voluntary transitional pricing arrangements both parties agree that:
 - CE may vary the default prices for small gas customers (consuming 0-1 TJ a year) without approval from the Tribunal on the basis that:
 - (i) the average price increase is at or below CPI.
 - (ii) the changes would not result in the bill (excluding miscellaneous charges) of any residential customer exceeding the bill for the corresponding period of the preceding financial year (for the same pattern and volume of gas consumption) by more than CPI+5% or \$15 (GST exclusive in nominal terms), whichever is greater.
 - CE is required to advise the Tribunal of increase in prices by 1 June of each year for effect from 1 July of that year and provide supporting information showing that average default prices have varied within the limits in (i) and (ii) above.
 - Should CE consider it necessary as a result of special circumstances (including the ability to reflect changes in network prices) to vary average default prices outside of the limits in (i) and (ii) above then the Tribunal's agreement is required:
 - CE must advise the Tribunal no later than 4 months before the date of effect of the increase (eg by 1 March for 1 July increase).
 - CE must provide a justification statement to the Tribunal specifying the basis of the increase and providing relevant information supporting the increase.

¹ Default prices apply to customers consuming 0-1 TJ of gas per annum and supplied under Standard Form Customer Supply Contract by a Standard Supplier

- The Tribunal may undertake an investigation of relevant costs incurred by CE to satisfy itself of the validity of the increase proposed, or of any tariff rebalancing.
 - CE will provide reasonable cooperation with the Tribunal during such reviews.
 - The Tribunal will make a decision on the proposed price variation 15 business days prior to the date of effect of the proposed change.
5. Nothing in this Voluntary Transitional Pricing Arrangement removes the Tribunal's ability to impose a Gas Pricing Order pursuant to section 27 of the Gas Supply Act or indeed any other powers of the Tribunal.
6. As part of this Voluntary Transitional Pricing Arrangement CE undertakes to:
- Make default tariffs available to all tariff customers whose consumption is below 1 TJ a year.
 - Allow customers who have accepted a competitive offer under a contestable gas retail market to revert to CE's default tariffs without penalty once they have met their contractual obligations.
7. In relation to miscellaneous charges, the Tribunal and CE agree that:
- Any variation to existing fees and charges other than to reflect changes in CPI or to pass through increases in third party costs will be subject to the Tribunal's agreement prior to implementation.
 - Any proposed new fee or charge will not be introduced without the Tribunal's agreement. CE agrees that new fees and charges will be established on a cost reflective basis.
 - Where CE proposes an increase or introduction of a fee or charge that requires the Tribunal's agreement:
 - CE must advise the Tribunal no later than 4 months before the date of effect of the fee or charge (eg by 1 March for 1 July increase).
 - CE must provide a justification statement to the Tribunal specifying the basis of the fee or charge and providing relevant information supporting the increase.
 - The Tribunal may undertake an investigation of relevant costs incurred by CE to satisfy itself of the validity of the fee or charge proposed.
 - CE will provide reasonable cooperation with the Tribunal during such reviews.
 - The Tribunal will make a decision on the proposed fee or charge 15 business days prior to the date of effect of the proposed fee or charge.

8. Special circumstances include, but are not limited to, events such as an unanticipated field price review or fundamental changes to gas market frameworks and arrangements.
9. CPI for year X will be determined as follows:

$$CPI(X) = \left(\frac{CPI_{Jun(X-1)} + CPI_{Sep(X-1)} + CPI_{Dec(X-1)} + CPI_{Mar(X)}}{CPI_{Jun(X-2)} + CPI_{Sep(X-2)} + CPI_{Dec(X-2)} + CPI_{Mar(X-1)}} - 1 \right) \times 100\%$$

CPI means the consumer price index, All Groups index number for the weighted average of eight capital cities as published by the Australian Bureau of Statistics, or if the Australian Bureau of Statistics does not or ceases to publish the index, then CPI will mean an index determined by the Tribunal that is its best estimate of the index.