

# VOLUNTARY TRANSITIONAL PRICING ARRANGEMENTS FOR ORIGIN ENERGY

1 August 2004 to 30 June 2007

1. The Tribunal notes that Origin Energy (Origin) has advised that the pricing arrangements for the period 1 August 2004 to 30 June 2007 are expected to result in prices that increase at or below the change in CPI for the Albury district and at or below the change in CPI plus 5% for the Murray Valley district.
2. Origin and the Tribunal wish to continue the light-handed approach to default pricing<sup>1</sup> for small gas customers (consuming 0-1 TJ a year) that was established under the Voluntary Pricing Principles.
3. The Tribunal notes that Origin 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:
  - Origin 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 the change in CPI for the Albury district
    - (ii) the average price increase is at or below the change in CPI+5% for the Murray Valley district
    - (iii) 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 the change in CPI+5% or \$15 (GST exclusive in nominal terms), whichever is greater.
  - Origin is required to advise the Tribunal of increase in prices for a 1 August 2004 price change by 23 July 2004, and, for each year thereafter, by 1 June for effect from 1 July of that year, and provide supporting information showing that average default prices have varied within the limits in (i), (ii) and (iii) above.
  - Should Origin consider it necessary as a result of special circumstances to vary average default prices outside of the limits in (i), (ii) and (iii) above then the Tribunal's agreement is required:
    - Origin 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).

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<sup>1</sup> 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

- Origin must provide a justification statement to the Tribunal specifying the basis of the increase and providing relevant information supporting the increase.
  - the Tribunal may undertake an investigation of relevant costs incurred by Origin to satisfy itself of the validity of the increase proposed, or of any tariff rebalancing.
  - Origin 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 Origin undertakes to:
- Make standard form contract (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 Origin's default tariffs without penalty once they have met their contractual obligations.
7. In relation to miscellaneous charges, the Tribunal and Origin 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. Origin agrees that new fees and charges will be established on a cost reflective basis.
  - Where Origin proposes an increase or introduction of a fee or charge that requires the Tribunal's agreement:
    - Origin 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).
    - Origin 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 Origin to satisfy itself of the validity of the fee or charge proposed.
    - Origin 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. The change in CPI for year X will be determined as follows:

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

**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.