

30 May 2008

Mr EJ Hall  
Chief Executive  
Queensland Competition Authority  
GPO Box 2257  
Brisbane Qld 4000

**Attention:** Moston Neck

Dear Mr Hall

**ENERGEX'S FRC PASS-THROUGH APPLICATION: DRAFT DECISION**

Origin Energy (Origin) appreciates this opportunity to provide comments to the Queensland Competition Authority (QCA) in relation to the release of the *ENERGEX's FRC Pass-through Application: Draft Decision* (draft decision).

Origin has previously made submissions regarding ENERGEX's:

- original full retail contestability (FRC) cost pass-through application from March 2007; and
- supplementary FRC cost pass-through application as made in October 2007;

and believes that most of the issues raised have been satisfactorily addressed during this process.

Origin is therefore pleased to support the conclusions reached by the QCA in its draft decision and acknowledges the review of costs by PB Associates (consultants) has provided stakeholders with a more thorough understanding of ENERGEX's costs relating to the introduction of FRC into the Queensland retail electricity market.

Origin has always maintained that it is essential for ENERGEX to receive a reasonable recovery of its FRC costs but that the level of investment by ENERGEX is limited to the incremental costs that are directly attributable to and required for the efficient operation of a competitive electricity market. The success of FRC is reliant on the benefits realised by consumers and these benefits are restrained by the costs attributable to the introduction of FRC.

Furthermore, Origin has previously submitted that the recovery of FRC costs by ENERGEX be limited to costs that are:

- directly attributable to the activities and tasks pursuant to FRC;
- directly attributable to meeting the obligations that arise as a consequence of the legal and regulatory framework for FRC; and
- robust cost estimates that can clearly be identified as costs incurred as a result of FRC.

As such, Origin is specifically encouraged by the QCA's:

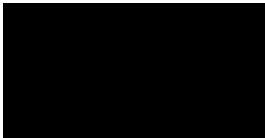
- removal of FACOM costs which are associated with the sale of Sun Retail Pty Ltd and the separation of the retail business from the network business;
- thorough examination of the FRC systems capital costs and rationalisation of these costs including review of the annuity calculations. This is vital given these costs are substantially credited to an ENERGEX related party;
- rejection of any operational or capital costs that cannot be fully accounted for; and
- deferral of their examination of any Stage 2 FRC implementation costs until they are finalised.

Origin notes that Stage 2 refers to migration of FACOM data to PEACE and Origin would urge ENERGEX to ensure that these costs are tracked in detail and separately from any data migration costs that are due to the sale process. This is essential given that the introduction of FRC and the sale processes have occurred in parallel. In brief, retailers generally and their customers should not be exposed to the costs of the sale processes, however, should accept as reasonable the legitimate network costs associated with FRC.

As a final point, Origin has previously raised queries regarding the non-DUOS costs that have been excluded from the pass-through application. Origin commends ENERGEX for their removal from this process but questions how these costs are to be transparently addressed given their exclusion from the 2005 Revenue Determination?

Should you require further information on this submission please do not hesitate to contact Caroline Rosengren on 07 3405 9318.

Yours sincerely



Bev Hughson  
National Regulatory Manager