



30 October 2008

Mr E J Hall
Chief Executive
Queensland Competition Authority
GPO Box 2257
Brisbane Qld 4001

Dear Mr Hall

Origin Energy ('Origin') appreciates the opportunity to provide comments with regards to the Queensland Competition Authority's (QCA) draft decision on APT Allgas Full Retail Competition (FRC) Cost Pass through Application.

Origin commends the QCA, and PB Associates (consultants), on conducting a thorough review of the costs submitted by APT Allgas for the pass-through of costs relating to the introduction of FRC into the Queensland retail gas market. While Origin supports the QCA's draft decision, Origin believes that it is imperative for the QCA to ensure that the level of recoverable investment by APT Allgas is limited to the incremental costs that are directly attributable to and required for ensuring the efficient operation of a competitive market. The success of FRC is reliant on the benefits that can be realised by consumers.

As we highlighted in our previous submission, Origin believes that synergies should be able to be achieved in operating costs as a result of the APA Group now operating both the Allgas and Envestra gas distribution networks in Queensland. While it is not clear in the draft determination the synergies that have been able to be achieved, Origin does note the significant revision of operating costs from that proposed by APT Allgas (ie \$14.2M) and that of the QCA's draft decision (\$7.7M). Origin supports the proposed revision to operating costs, especially in terms of the staff required to administer FRC given that market churn has been relatively low and many of the functions were already being carried out prior to the commencement of FRC.

Origin also supports the QCA ensuring that all previous system costs that are part of APT Allgas's current access arrangements are removed where they have been replaced by new systems as a result of FRC. Origin supports the QCA removing costs associated with the PEACE system given that this system is now redundant and is being replaced with a newer system (ie Hansen).

In terms of depreciation of assets, Origin supports the QCA's proposed 5 year depreciation period for IT assets. As noted by PBA, in general, assets should be depreciated over a period that reflects the economic life of the assets¹. Origin believes that APT Allgas's proposal to depreciate the assets over a 1.5 year period significantly falls short of the true life of these assets. A 5 year depreciation period will ensure the

¹ Queensland Competition Authority, "APT Allgas FRC Cost Pass-through Application, Draft Decision, September 2008, p19.



price increases are smoothed and customers are not adversely impacted by large price increases over a short period of time.

Finally, Origin still has some concerns that unwarranted remotely read interval meter costs for customers consuming greater than 100TJ have been included as part of the FRC costs despite the requirement being in place prior to FRC being announced. Origin supports the QCA further assessing these interval meter costs based on APT Allgas response to this draft decision. We are still of the view that the decision to enhance systems for these customers were not due to FRC, but rather a business decision that they should do this while implementing FRC.

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

Yours sincerely



Patrick Whish-Wilson
Energy Regulation Manager