

29 February 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 Envestra's 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 Envestra 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 Envestra 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.

Origin notes that the QCA has invited Envestra to provide more detailed information to justify additional operational non-metering employees above the 4 FTEs proposed by the QCA as part of the draft decision. Origin believes that the proposed 4 FTEs for non-metering related functions appears to be more than reasonable. Origin would even suggest that this number may still be able to be reduced as systems and processes become fully automated. Churn rates for natural gas customers have been relatively low and there appears to be only a very small number of new functions that need to be carried out as a result of FRC. Services such as connections and reading of meters were all being conducted prior to FRC and should not change dramatically. Origin would thus be disappointed to see the QCA increase the number of FTEs to Envestra's proposed 7 FTE in its original application without comprehensive justification.

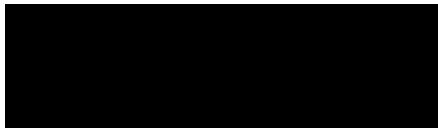
Origin also supports the QCA's decision to reduce the cost allowance for interval metering installations down to \$2500 (formerly \$9450) per interval meter. While this is still a significant cost to impose on customers with consumption greater than 10 TJ per annum, it is more aligned with counteracting the risk that a large volume customer can impose on the market.

In relation to the allocation of costs, Origin supports applying the same pricing approach in 2008-09 as was applied in 2007-08 given the similar size of the cost pass-through being proposed. This approach will minimise price impacts on both volume and demand customers.



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

Yours sincerely



Beverley Hughson
National Regulatory Manager