

1 April 2008

Essential Services Commission of South Australia
Level 8, 50 Pirie Street
Adelaide SA 5000

Review of Gas Standing Contract Prices 2008/09 – 2010/11 Issues Paper – Revised Submission

Simply Energy refers to its submission to the Commission dated 21 December 2007. Simply Energy wishes to revise some of the comments it made in that submission under the heading 'Additional costs of second-tier retailers to be taken into account'.

Simply Energy wishes to retract the comments it made in respect of the extent of Origin's continued control over the Adelaide city gates, the use of MAPS and the tariffs at which gas can be sourced through MAPS and SEA Gas, and the provision of swing gas by Origin.

Despite significant changes to the wholesale gas market in South Australia in recent years, Simply Energy considers that there are still commercial barriers to entry and expansion (although these barriers have shifted somewhat in recent years) which lead to additional costs for second-tier retailers. Simply Energy will address issues regarding possible barriers to entry and expansion as part of the Australian Energy Market Commission's review of the effectiveness of competition in South Australia.

As set out in Simply Energy's 21 December 2007 submission, in order to promote a competitive gas retail market, the determination of gas standing contract prices should take into account costs necessarily incurred in respect of gas *market* contracts that are over and above those costs incurred by the incumbent retailer in respect of its *standing* offer contracts. Simply Energy considers that the determination of gas standing contract prices must take into account the costs incurred in respect of acquiring market contract customers (such as sales and marketing costs) and the costs of managing and seeking to reduce customer churn.

If you would like to discuss any of these comments in further detail, please contact Nick Koutroumanis, Assistant Commercial Manager, on (03) 8807 1135.

Yours sincerely



Nick Koutroumanis
Commercial Manager