



**Government  
of South Australia**

08/MEN0158

Dr Patrick Walsh  
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Essential Services Commission of South Australia  
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Dear Dr Walsh

I refer to the Draft Inquiry Report and Draft Price Determination released by the Essential Services Commission of South Australia (ESCOSA) as part of its inquiry into the Origin Energy Standing Contract Price Review for the period 2008/09 to 2010/2011.

I note ESCOSA's draft decision to maintain Origin Energy's current level of retailer operating costs.

The Government considers it appropriate that an allowance for the recovery of Full Retail Contestability (FRC) capital expenditure will only be provided in the first year of the price path period, by which time Origin Energy would have recovered all of these costs and that this allowance will be applied to both market and standing contract customers.

While I indicated in my submission to ESCOSA's Issues Paper that subject to further analysis I could not see a reason for any increase in retail margins proposed by Origin Energy. I consider there may be justification for ESCOSA's proposed increase in the retail margin in the light of working capital requirements associated with payment terms to the gas distribution company Envestra.

I note that ESCOSA has discontinued the transmission costs event pass-through category in view of my 2007 decision to revoke coverage of the Moomba to Adelaide Pipeline System (MAPS). I think that it is prudent to broaden the regulatory reset event pass-through category to include the introduction of any carbon trading scheme.

The South Australian Government's recently announced Residential Energy Efficiency Scheme (REES) might assist in offsetting any potential increase in costs to residential customers as a result of the implementation of a carbon trading scheme.

I thank you for the opportunity to comment as part of this consultation process and I look forward to the release of your Final Report and Price Determination.

Should your officers wish to discuss any element of this submission further please contact Mr Kym Jervois, Director, Retail and Demand Management, Energy Division on 8204 1669.

Yours sincerely



**HON PATRICK CONLON MP**  
**MINISTER FOR ENERGY**

6 May 2008