



SOUTH AUSTRALIAN COUNCIL OF SOCIAL SERVICE INC

13 December 2005

Dr Patrick Walsh
Chairperson
Essential Services Commission of SA
e: escosa@escosa.sa.gov.au

RE: 2006 Review of Envestra's Distribution Gas Access Arrangements

Dear Dr Walsh

Please accept this late submission to the Gas Distribution Access Arrangements review. As I am sure you appreciate, the review process is complex and involves large volumes of information that is beyond the resources of SACOSS. However, the implications for residential customers have recently been brought to our attention and these implications are clearly serious enough to warrant a brief submission from us.

The submission you have already received from the Energy Consumers Coalition of SA (ECCSA) analyses some of Envestra's proposal for its impact on residential customers. We thank ECCSA for bringing this to our attention and wish to add our voice to the concerns raised therein.

As was made clear in SACOSS's participation in the equivalent review for electricity (2005-10 Electricity Distribution Price Review), any price rises that may result must be able to be fully justified and the impact on vulnerable customers assessed and published in a transparent manner.

All consumers have an interest in ensuring that energy providers (particularly those that are not exposed to competition) are financially viable but only rewarded in a way that reflects genuine efficient costs and reflects the relatively low risk of such businesses. Elements of the Weighted Average Cost of Capital (WACC) are as important to eventual residential gas prices as they are to the eventual electricity distribution prices and the consumer arguments (including relevant benchmarking) developed for ETSA Utilities should be kept in mind during the Envestra Review. Equity Beta is a case in point and SACOSS agree with ECCSA and the Minister for Energy that the Envestra claim seems dramatically excessive. Again, SACOSS would be concerned if 'regulatory precedent' is used as the dominant argument for setting parameters such as equity beta – particularly when it appears that such levels result in returns well in excess of similar businesses exposed to greater investment risks.

We trust that ESCOSA will continue to conduct a comprehensive and objective review of the Envestra proposal and reiterate our concern regarding the potential impact on residential consumers – particularly the vulnerable.

Regards,

Karen Grogan
Executive Director