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Manager, MCE Secretariat,  
Department of Resources, Energy and Tourism,  
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**By email**  
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Dear Sir

### **National Framework for Regulating Energy Distribution & Retail Services**

APA Group ("APA") is an ASX-listed energy transmission business in Australia which among other assets, own and operates the APT Allgas gas network in south east Queensland. This network serves approximately 75,000 customers via 2,500 kilometers of pipe.

APA has serious concerns with some of the recommendations made in the MCE SCO Paper "A National Framework for Regulating Electricity and Gas (Energy) Distribution and Retail Services to Customers" ("the Paper").

These recommendations are discussed further below.

#### **Retail Support Contracts**

The Paper recommends Retail Support Contracts.

APA opposes Retail Support Contracts. The current gas access regime applying to gas networks already utilises regulated default contracts to addresses the issues that Retail Support Contracts are intended to address.

#### **A move towards Retail Support Contracts**

- creates another contracting layer, when the issues are already adequately addressed by existing arrangements. If there is a need to address additional issues these are best addressed via current contractual arrangements between distributors and retailers. In any event, given Retail Support Contracts will need to reflect current haulage contracts, it is unclear why it is necessary to create Retail Support Contracts as a separate arrangement to current contractual arrangements;
- creates an unnecessary regulatory imposition with its attendant inefficiency and complexity;



- creates the potential for inconsistency and confusion, in particular there could be confusion between Access Arrangements and Retail Support Contracts

The Retail Support Contract could be addressed via rules rather than a contract.

APA views a move towards Retail Support Contracts as unnecessary and believes it would result in unnecessary complexity and uncertainty. The costs of additional contracting will be passed through to customers.

### **Distribution Licensing**

The Paper recommends that, while national rules for distributors are introduced, state jurisdictions continue to hold energy distribution licensing powers. APA believes that this will result in increased layers of regulation, the potential for regulatory duplication and an attendant increase in regulatory costs and impositions. These costs will be passed through to customers.

Moving the licensing function from the states to a national regulator will minimise the potential for duplication.

While current state requirements, such as service standards, are important, these requirements can be addressed by means other than state energy distribution licensing.

APA would be particularly concerned if state jurisdictions continued to have power to impose obligations similar to those envisaged by the “national energy customer framework”. This would result in further opportunities for duplication and confusion.

### **Deemed Contracts**

The Paper refers to deemed contracts between customers and distributors.

There is currently a lineal contracting relationship such that the customer has a contract with the retailer and the retailer has a contract with the distributor that allows the retailer to supply gas at the customer’s premises.

There is no rationale for amending this lineal relationship by requiring deemed contracts between distributors and customers. Any obligations between the distributor and customer should be managed via:

- Legislation and regulation; and
- Customer contracts with retailers and retailer contracts with distributors

In addition, APA is unsure as to what is actually being offered and accepted in these contracts.

APA believes there is less possibility of duplication or confusion if distributor obligations are placed in the Rules, rather than placed in the Rules and in deemed contracts.



## **Distributor Information Provision**

The Paper refers to information that the distributor must provide to a customer.

Retailers are the main contact point for customers seeking connection or a gas supply. Distributors are not well placed to supply customers with the information without incurring costs in establishing new operating functions which duplicate retailer functions. These costs will be passed through customers.

Requiring two contact points – the retailer and distributor – seems unnecessarily cumbersome and costly.

It seems reasonable that retailers be required to provide customers with information that the distributor is required to provide, (given that the distributor has made the information available to the retailer).

## **Enforcement**

The paper proposes to substantially expand the enforcement powers of the AER.

APA's concern is that expanding the power of the AER results in the AER having enforcement powers which are disproportionate with the breaches envisaged.

## **Transition**

APA has concerns about the compatibility and alignment of the proposed recommendations with current contracts, current Access Arrangements and other current regulatory instruments and obligations. APA would strongly support a consultative approach to the transitional issues which will arise as this process moves forward.

Overall APA believes that the proposed move to Retail, Support Contracts and deemed contracts, coupled with ongoing state jurisdictional regulation will increase costs to the distribution businesses and hence to the end users.

Yours faithfully

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