



18 September 2009

Mr Geoff Houen
Gas Market Development
National Energy Market Branch
Department of Resources, Energy and Tourism
GPO Box 1564, Canberra ACT 2601

Connection of Retail Customers to Natural Gas Distribution Networks

Dear Geoff,

AGL Energy Limited (**AGL**) welcomes the opportunity to comment on the National Framework for the Connection of Retail Customers to Natural Gas Distribution Networks (**the Framework**) which will form part of the National Energy Customer Framework (**NECF**).

As a general comment AGL supports the overall approach of the NECF and sees great value and benefit to the energy industry, including consumers, and strongly encourages the MCE to implement it as expeditiously as possible.

As previously advised, AGL does not endorse the inclusion of the other policy work streams (i.e. bill benchmarking, Retailer of Last Resort and smart metering) if in doing so would delay the implementation of the NECF. AGL does not dispute the importance of these work streams and acknowledges that it would be most efficient if they could be included in one NECF package. The NECF, as currently drafted, would operate effectively without them. The benefits of implementing the NECF even without the input from the other work streams must be weighed up against the cost of further delaying the national regime by waiting to include them.

Whilst the approach of the Gas Connections Framework is to provide national consistency with the removal of the current Jurisdictional variations, AGL is concerned that the current proposal could lead to further variations with the requirement of each Distributor to submit their own Basic and Additional Standardised Connection Service for approval by the AER without any provisions or guidance on what constitutes a minimum Service.

AGL supports the Gas Connections Framework as consumers will be provided with the choice of either negotiating directly with Distributors, or via a Retailer or third party, to facilitate a new connection or modification to an existing installation thus removing the existing straight-line relationships which can be perceived by consumers as a barrier.

The timeframes being adopted for the provision of information to the consumer as a 'discovery of costs mechanism' are the longest timeframes that currently exist. The adoption of the NSW timeframes will lengthen the time required to facilitate either the connection or the alteration of an existing service for consumers as these timeframes do not exist in other jurisdictions such as Victoria for Basic Connections. AGL understands that these timeframes will be the maximum timeframe allowed, however we are concerned that the approach is not to adopt 'best known practice'.

The Gas Connection Framework does not address the process which is to be undertaken when the consumer approaches the Distributor directly for the new connection and the subsequent selection of a Retailer by the consumer once the connection has occurred. Additionally, the framework does not specify exactly how the Distributor will communicate

- > Being selected as a member of the Dow Jones Sustainability Index 2006/07
- > Gaining accreditation under the National GreenPower Accreditation Program for AGL Green Energy®, AGL Green Living® and AGL Green Spirit
- > Being selected as a constituent of the FTSE4Good Index Series

the site details to the Retailer. AGL would strongly recommend the requirement for the development of guidelines for the selection of a Retailer when the consumer has negotiated the connection directly with the Distributor.

Transitional arrangements are not adequately addressed in the Gas Connections Framework. It is expected that Retailers will incur costs in the short term through system and process changes required to comply with the Gas Connections Framework. These costs will be considerably larger if Retailers are required to make the changes on a jurisdiction by jurisdiction basis.

Additional transitional issues which have not been adequately addressed within the framework include:

- Existing electronic communication protocols such as Business to Business arrangements for New Connection service orders;
- Gas Access Arrangements and the variation in the expiration dates;
- The adoption of the Electricity 'gifted networks' process for Gas Mains extensions;
- The Distributors requirement to undertake an educational process to communicate the changes in processes to Tradespersons and consumers; and
- Retailer and Distributor Gas Safety Case Regimes and responsibilities.

AGL understands that MCE would like to adopt a consistent connection methodology for Gas and Electricity however there are fundamental differences between the two which have not been satisfactorily reconciled within the paper such as:

- Cost Recovery provisions for Electricity are captured within Chapter 6 of the National Electricity Rules where as the mechanism for Cost Recovery for Gas exists within Access Arrangements;
- The current Gas New Connection process is a 2 step process where as Electricity is has a one step process; and
- The existence of the Victorian 'self-certification' process for Plumbers that undertake any gas works does not exist in Electricity.

Should you have any questions in relation to this submission, please contact Sallie Proctor, Manager Regulatory Compliance and Advice on 03 8633 7871 or at SProctor@agl.com.au.

Yours sincerely,



Nicole Wallis

Manager Retail Markets Regulation

- > Being selected as a member of the Dow Jones Sustainability Index 2006/07
- > Gaining accreditation under the National GreenPower Accreditation Program for AGL Green Energy®, AGL Green Living® and AGL Green Spirit
- > Being selected as a constituent of the FTSE4Good Index Series