



18 September 2009

Mr Geoff Houen  
Gas Market Development  
National Energy Market Branch  
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Dear Mr Houen

**ORIGIN ENERGY SUBMISSION - THE NATIONAL FRAMEWORK FOR THE CONNECTION OF  
RETAIL CUSTOMERS TO NATURAL GAS DISTRIBUTION NETWORKS**

Origin Energy Retail Limited (Origin) welcomes the opportunity to provide comments on the National Framework for the Connection of Retail Customers to Natural Gas Distribution Networks Draft Policy Position paper released by the Ministerial Council on Energy (MCE) Standing Committee of Officials' (SCO).

Origin attended the recent stakeholder workshop covering this consultation, which provided further insight into the intent and application of this framework. These workshops are an extremely valuable component of the consultation process and Origin thanks the SCO for facilitating these events.

Generally Origin supports the proposed framework; which has been designed to complement the national gas access regime, accommodate different existing jurisdictional connection processes and allow a retailer (if they choose) to facilitate a new gas connection on behalf of a customer. Origin understands that this framework currently applies to both covered and uncovered distribution pipelines but the SCO is considering options for jurisdictional control over its specific application. It is also noted in the Introduction that the gas connections framework is intended for customers seeking access to a distribution network regardless of customer size, and that the framework will not apply to Users (retailers or customers not contracted to a retailer).

Specific responses to the draft policy proposals are outlined below:

***3.4 The Gas Connections Framework***

*Policy Proposal*

*The Gas Connections Framework will be a stand alone regulatory arrangement that applies to covered and uncovered distribution networks. It will work alongside the national gas access regime.*



Origin supports a consistent application of this framework to all distribution networks. However, as some uncovered distribution networks are relatively small it could be uneconomic to apply this framework. Therefore, Origin believes that uncovered distribution networks should be included unless a cost benefit case can be provided that substantiates their exclusion. To ensure national consistency in the assessment of any cost benefit case the Australian Energy Regulator should be assigned this responsibility.

#### *4.1 Scope of the Connections Framework*

##### *Policy Proposal*

*The Gas Connections Framework will apply to new connections and modifications to existing connections for gas supply to a customer's premises.*

Origin supports the scope of the Framework

#### *4.2 Connection Services*

##### *Policy Proposal*

*Three connection services will be available to customers under the Gas Connections Framework:*

*Basic Connection: - as defined by the distributor and approved by the AER.*

*Additional Standardised Connection: - for customers with connection requirements not covered by a Basic Connection, as defined by the distributor and approved by the AER.*

*Negotiated Connection: - for customers who have specific requirements that must be negotiated with their distributor.*

Gas connections for customers other than small customers are usually specifically tailored to the customer's load and site requirements. If distributors are forced under this policy to establish Additional Standardised Connection schedules (with associated fixed price schedules) for customers other than small customers, it may result in over-sized gas connection equipment being installed.

For instance, a distributor could choose to specify larger meters in an Additional Standardised Connection for use across a broad range of applications. This could result in increased costs to customers and/or 'gold plating' of the connection, to a standard above what is really required. Origin is not convinced that the requirement for Additional Standardised Connections will deliver benefits for customers.

#### *4.3 Basic and Additional Standardised Connection Services Approved by the AER*

##### *Policy Proposal*

*Distributors will be required to define and submit each of their Basic and Additional Standardised Connection services to the AER for approval.*

*For each connection service, distributors will be required to include a schedule that specifies what is to be provided to the customer, timeframes for various stages to complete the connection and any charges to be paid by the customer.*



*The AER will approve each connection service, including timeframes and charges, on the basis that they provide a reasonable level of service, having regard to the National Gas Objective, the distributor's historical practices and the geographical nature of their network.*

*Distributors will be required to provide the customer with the appropriate schedule for the proposed connection service as part of the distributor's standard distribution contract.*

*Distributors will, as required, provide the customer with an itemised quote for minor variations to a Basic or Additional Standardised Connection.*

See comments above under item 4.2.

#### *5 Applying for a Basic or Additional Standardised Connection*

##### *Policy Proposal*

*The Gas Connections Framework will allow a customer to apply directly to a distributor for connection to the distributor's network.*

*Third parties, such as retailers or gasfitters, may facilitate connections and apply on behalf of customers, but it will not be mandatory for them to do so, and the customer will be deemed to be making the application.*

*Distributors will be required to respond with information on the connection process within 5 business days of receiving a customer's connection enquiry.*

*Distributors will be required to provide appropriate advice to a customer regarding their connection application within 10 business days of receiving a completed application.*

*Distributors will be required to advise customers of the information they require within 5 business days of receiving an incomplete application.*

*The connection timeframes proposed by a distributor in the relevant connection schedule will commence once all customer works or necessary third party approvals are in place. These timeframes would be subject to the best endeavours of the business and can be changed by the distributor or customer when certain circumstances prevent them being met, or if both parties agree to a different timeframe.*

The ability for third parties (retailers or gasfitters) to facilitate gas connections is appropriate and reflects the status quo in several jurisdictions. It also ensures an important and valued customer service can be continued in a relatively seamless manner. Too often the impacts on customers and related industries are forgotten in these reform processes. While Origin supports the high level policy, more work is required before the impacts of implementation as proposed can be fully understood. We would be concerned if this flexible approach to gas connections created a need for new transactions, processes and expensive system changes where these are automated in some jurisdictions. There may be a need to delay the full implementation of this policy until such time as industry costs can be minimised.

As retailers may also be facilitating gas connections under this framework Origin believes that when Distributors are responding to retailers (rather than customers) their response times should be at least one day less than the nominated 5 and 10 day periods, so the retailer can respond to the customer within the same timelines as the distributor responds to customers. Retailer facilitated connection applications will, in the main, be more accurately prepared than those presented by an individual customer and therefore the distributors should be able to deliver the response in a shorter timeframe.



It was mentioned at the workshop<sup>1</sup> that the Gas Connections Framework would accommodate existing Retail Market Procedures (RMP) and form part of the national gas regulatory framework. Therefore, Origin seeks clarity on how the gas connections timings in these instruments will co-exist and which will take precedence.

For example Clause 2.9.3 of the Queensland Retail Market Procedures (QRMP) prescribes that a distributor must use best endeavours to install a data logger on a basic meter within 40 business days after the day on which the request is delivered. The proposed gas connections policy recommends that Distributors have 5 business days to respond on information regarding a connection request. Origin would argue that the 5 days is included within the 40 days mentioned under clause 2.9.3 of the (QRMP), rather than representing an additional 5 days (45 days total) before the gas meter upgrade can be completed.

Similarly, Clause 2.9.3 of the Victorian Retail Market Procedures (VRMP) prescribes that a distributor must use its reasonable endeavours to install a data logger on a basic meter within 20 business days after the day on which that request is delivered. Origin believes that the proposed gas connections framework provisions should not affect the 20 day installation period.

6 *Contractual Arrangements for Basic and Additional Standardised Connections*

*Policy Proposal*

*The Gas Connections Framework will establish model connection terms and conditions that will be part of the NECF's standard distribution contract. Distributors will be obliged to adopt a standard distribution contract based on these terms and conditions. Distributors will be required to make their standard distribution contract publicly available.*

*A distributor's standard distribution contract (containing connection terms and conditions) and schedule will be deemed to take effect for Basic and Additional Standardised Connections from the time all customer works and necessary third party approvals are in place and the distributor receives a completed application, including when the application is submitted on the customer's behalf by third parties.*

Origin supports the proposed approach but reiterates our concerns with regard to the need for an Additional Standardised Connection category under section 4.2 Connection Services above.

We also note that the existing Victorian Gas Distribution System Code, under clause 3.1(b) places the following connection obligations on the Distributor:

*A Distributor must use its best endeavours to connect a customer's gas installation:*

- (i) at a supply address previously supplied by the Distributor within one business day or within a period agreed with the customer; or*
- (ii) at a new supply address on the date agreed with the customer or, where no date is agreed, within 20 business days.*

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<sup>1</sup> Conducted on 9 September 2009 at Karstens at QC Melbourne



It is assumed that these obligations will form part of the new gas connection schedules proposed by Distributors under this framework and Origin suggests that these responsibilities should not be diminished in this process.

## *7 Negotiation Framework for Negotiated Connections*

### *Policy Proposal*

*The Gas Connections Framework will include a streamlined negotiation framework for customers requiring a negotiated connection.*

*Distributors will be permitted to recover the costs of processing negotiated connection applications. Distributors wishing to recover these costs must define their cost recovery mechanism for AER approval.*

*Negotiated contracts may be required to meet minimum content requirements specified in the relevant rules.*

The negotiation framework must take into consideration that a customer has a limited capacity to negotiate with a monopoly distributor. In reality there are limited avenues for negotiation other than for very large customers, who may consider bypassing the network or using an alternative fuel. Therefore, Origin supports the proposed elements of the negotiation framework, apart from what is contemplated with regard to charging for processing gas connection application costs. As monopoly suppliers, distributors should not be allowed to recover these costs direct from customers.

The very nature of a gas distribution system makes it extremely difficult for a customer to understand the extent of network augmentation and reinforcement that may be required to facilitate their particular gas load requirement. Consequently they can only rely on the distributor to provide this information and have no ability to offset or reduce any costs that may apply. While it is understood that the intent of this provision is to reflect a user pays regime rather than a cost smearing approach, this should not be at the expense of missed opportunities to expand or improve the utilisation of the gas network. If a gas connection application cost must prevail then it should only apply to very large or complex customer applications and an obligation should be placed on the distributor to provide a 'budget' price, plus or minus 25 percent, before an application processing cost can apply.

## *8.2 Proposed Approach for Treatment of Customer Connection Assets*

### *Policy Proposal*

*It is SCO's intention that connection assets paid for by customers will be treated as gifted network assets to permit a distributor to recover as revenue the reasonable operating and maintenance costs of servicing these assets, consistent with the approach in the Electricity Connections Framework.*

*Any regulation of gifted assets on uncovered or lightly regulated gas distribution systems will be a matter for the relevant jurisdictions.*

Origin has no comment at this stage.

## *8.4 Reimbursement Scheme for Previously Dedicated Assets*



*Policy Proposal*

*SCO proposes a reimbursement scheme for extensions to distribution networks that are initially paid for and used by a single customer and subsequently used by a number of customers. The scheme will provide an equitable way to share extension costs. The reimbursement scheme will apply to distribution network extensions only. The reimbursement scheme will have a time limit for application to an extension.*

Origin supports the general approach.

*9 Customer Dispute Resolution  
Policy Proposal*

*SCO has formed a dispute resolution sub-group to develop a single dispute resolution process under the NECF, which will include customer gas connection disputes.*

Origin supports this approach and agrees that the process should be simple for customers to access as it will provide an incentive for distributors to participate more readily in the negotiation connection process.

Should you require further information regarding this submission please do not hesitate to contact Randall Brown on 03 9652 5880.

Yours sincerely

A handwritten signature in cursive script that reads "B J Hughson".

Beverley Hughson  
Regulatory and Relationships Manager