

25 September 2009

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By email: geoff.houen@ret.gov.au

Dear Geoff

Draft Policy Position on the National Framework for the Connections of Retail Customers to Natural Gas Distribution Networks

Whilst we realise that the consultation on this Policy Paper closed last week, we have included in this submission some additional matters over and above the Distributor view presented in the Energy Networks Association's (ENA) submission.

SP AusNet contributed to the ENA submission and support the views put in the submission. As stated in the ENA submission there are some fundamental aspects of the policy which are not clear, and we consider it important that further detail of the broad policy framework is made available as soon as possible so that we can consider the potential impacts well before the detail of the second exposure draft of the National Energy Customer Framework (NECF) is provided.

The following comments are made with respect to the operational level details of the connection framework:

1 Lack of workable details

Although the jurisdictional approach regarding transitional arrangements (and timing) is far from clear, we are assuming that ultimately the Jurisdictional Codes and other instruments currently regulating industry relationships and.

support of customers, will largely slip away and the industry will operate to, and the AER will regulate in accordance with, the details in the NECF.

SP AusNet have consistently through the consultations on the policy papers for the NECF and on the first exposure draft, raised concerns regarding what we consider is a lack of comprehensive consideration of the operational level details of the new regime. .

SP AusNet did some comparative analysis of the NECF (Law, Rules and Contracts clauses) against the current Victorian equivalent regulatory documents (Use of System Agreement, Deemed Distribution Contract, and Distribution Code) and found that a number of the new clauses were well short of the detail which experience has found necessary for successful industry interface management. A detailed quantitative assessment has not been done of the number of individual matters which are not fully and satisfactorily covered. However a rough assessment would be that in up to 50% of the clauses the content was not satisfactory to manage in detail the relevant relationships. Unless further industry involvement is elicited there is every possibility that the first drafting of the details of the connection framework will similarly require significant rework before a workable regime is in place.

SP AusNet consider that in the interests of establishing a workable NECF, including the Gas Connection arrangements, and doing so as expeditiously as possible, it is essential that further operational details of the Framework be made available to at least Distributors before the second draft. This will enable the second draft when released to be as close to workable as possible. For example the work to date has included no details of the proposed Connections Terms and Conditions and it is difficult to contemplate getting a nationally consistent version of these in one round of consideration only.

2 Operational Consideration of Matters in the Policy Paper

SP AusNet is concerned that even though the Policy Paper is generally at a high level, there are a number of aspects of the proposed framework which do not provide a clear view of the envisaged operational practice. We note the following as matters of uncertainty:

- i. The timing in the Paper related to some of the milestone points in the new connections process are incompatible with the associated Jurisdictional obligations in the associated Victorian Jurisdictional Energy Law.

For example the Paper suggests that a Distributor would be given 10 days from receipt of the customer completed application to assess whether the customer's new connection is standard. In Victoria a gas new connection under the Victorian Code must be completed within 20 days of receipt of the "application" (the B2B new connection request)!

- ii. Further as raised at the workshop, if the Retailer is acting on behalf of the customer, hence continuing what is substantially the Victorian approach, what are the proposed requirements with respect to the timing of the Retailers' aspects of the process for handling the customer's connection request?
- iii. The Paper suggests that there will be no specific regulation of the process before a complete application is submitted. The Paper however also suggests that the Distributor must advise of details required to complete an application in 5 days. The Paper fails to recognise the possible variations between installations of potentially very variable complexity. The first application received is likely to be the initial step of what in some cases might be a long process of finalising the customer's requirements before a complete application can be made.
- iv. We are also concerned regarding the proposal that the connection contract starts when the distributor receives a complete application; most contracts commence when the customer accepts the suppliers offer with respect to the service. A complete application is only a request to provide an offer.
- v. Whilst the proposed framework envisages a role for the AER with respect to scrutinising the connection arrangements, it is unclear what level of prescription is proposed in the Rules with respect to the content of contracts and schedules. Although further debate regarding the level of prescription is likely at the higher level, it must be recognised that whatever content is included it must be consistent with practical connection details.
- vi. It is unclear whether the Additional Standard Connection will apply to small customers. The Paper does not make this 100% clear. In Section 6.1 the Paper points out that (AER Approved) Standard Distribution Contracts apply only to large customers. If this is the view in the NECF, and given the relationship between the Connection Contract and Distribution Contracts, does it follow that Additional Standard Connections will only be used for Large Customers?

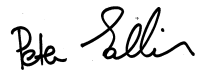
In the SP AusNet submission on the NECF first draft, we suggested that the AER Approved Standard Distribution Contracts should not necessarily be limited to large customers. The logical extension of this argument is that it should be possible to intermix the various 'categories' of Distribution Contract (Deemed Standard, AER Approved Standard, and Negotiated) and of Connection Contract (Basic, Standard, and Negotiated) for a particular Customer.

- vii. "best endeavours" is used a number of times in the Paper; we consider that "reasonable endeavours" is a better legal description of the efforts to which a Distributor would go to facilitate the connection

Sorry for the lateness of this submission, but we consider that it is important to not only get the high level aspects of the framework right, but to also ensure that the framework provides all the detail at the operational level for effective and efficient relationships and processes.

We look forward to working with SCO/DRET in the coming months to achieve this outcome.

Yours Sincerely,

A handwritten signature in black ink that reads "Peter Ellis". The signature is written in a cursive style with a large initial 'P' and 'E'.

Peter Ellis
Network Market Services Manager
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