

SOUTH EAST AUSTRALIA



South East Australia Gas Pty Ltd

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Our ref: ORG 14

30 March 2004

Standing Committee of Officials
C/- MCE Market Reform
Department of Industry, Tourism and Resources
GPO Box 9839
CANBERRA ACT 2061

Re: APPLICATION OF THE INDUSTRY LEVY TO FUND THE AER AND AEMC

Regarding the Discussion paper on the above topic, SEA Gas makes the following comments:

- o SEA Gas is an unregulated open access gas transmission pipeline competing for the same market as a covered gas transmission pipeline.
- o The assumption that all levies are a simple passthrough is incorrect. Unregulated pipeline assets are long-term assets working within long-term contracts, with passthrough clauses that are often very tightly defined. As such, it may not be possible to achieve the passthrough of certain costs.
- o The allocation of specific costs to specific industry participants must be fair and equitable. It would be untenable if an aggrieved party were not able to pursue a dispute process (even though the party might be proven to be correct) because the costs of its own case, plus that of the regulator and all of the regulator's expert advisors could be too high. It is the market that should bear the regulator's costs and it is incorrect to assume that these costs can be passed through the industry participant to that market.
- o If industry is to bear any of the costs of the regulatory bodies, then for transparency, accountability and good governance, it is essential that each of the regulatory bodies be subject to strict external audit and required to be in compliance with strict guidelines for cost allocation and performance criteria.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Jaff Cooke", written over a horizontal line.

Jaff Cooke
Manager, Finance and Commercial