



Victorian Energy Networks Corporation

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25 November 2005

Dear Sir/Madam

VENCorp response to MCE Response to the Review of the National Gas Pipelines Access Regime – Proposal for Consultation

VENCorp appreciates the opportunity offered by the Ministerial Council of Energy (MCE) to provide comment on its response to the Productivity Commission's Gas Access Review.

VENCorp is a statutory body established with responsibilities in both gas and electricity. In particular, it operates the main gas transmission system in Victoria, the Principal Transmission System ('PTS') that is covered under the Code, and operates/administers the Victorian wholesale and retail gas markets.

VENCorp is also the electricity Transmission Network Service Provider for the Victorian electricity industry and has responsibilities for planning and directing augmentation of the Victorian electricity transmission system.

VENCorp supports the objectives of the MCE to streamline the regulatory regimes and promote consistency across the Australian energy industry.

Should you require any clarification of, or expansion on, VENCorp's comments please do not hesitate to contact Mr John Savage on (03) 8664 6568 or Mr Mark Riley on (03) 8664 6602.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'M. Zema'.

Matt Zema
Chief Executive Officer

VENCorp supports the objectives of the MCE to streamline the regulatory regimes and promote consistency across the Australian energy industry. In reviewing the proposal being put forward by the MCE, VENCorp wishes to raise the following points:

Objects Clause

VENCorp supports the MCE's decision to implement an objects clause mirroring that of the NEL, which will provide consistency across the energy sectors. However, whilst the objective of the NEL is underpinned by the existence and operation of the NEM, no such arrangements currently exist within the gas sector. The MCE's key objective of promoting a seamless approach to access across the energy sector would be supported by the development of a competitive, reliable, and secure gas market for Australia (currently being progressed by the Gas Market Leaders Group).

Alignment of Coverage Test

The MCE has agreed to revise the coverage test for gas access to align with the test in Part IIIA of the Trade Practices Act (TPA). A number of outcomes associated with aligning the coverage test were identified, including:

- Increasing economic efficiency;
- Raising the threshold should encourage further pipeline investment;
- Reducing the number of pipelines requiring coverage will lessen the administrative and regulatory burden on the industry as a whole.

While possible short-term costs and uncertainty identified by the MCE in aligning the coverage test have been noted, VENCorp agrees that there are long-term benefits for both the industry and community.

Coverage Test and Administration

The MCE has proposed that a light handed regulatory option will be introduced, together with the full coverage option (under the current coverage process), as discussed in the earlier consultation on this issue. VENCorp continues to support the introduction of the option of lighter regulation within the energy industry for covered pipelines.

VENCorp has noted that the MCE proposes to transfer the responsibility for recommending coverage from the NCC to the AEMC. VENCorp supports this transfer of responsibility, as the AEMC will be in the best position to develop a body of expertise in this area.

The consultation paper has also stated that the MCE will ask the AEMC to develop clear Rules for the AER to assess the level of coverage to be applied (light or full) and Rules governing the AER's decision on whether further access arrangement reviews should be waived.

VENCorp continues to support the development of these Rules on the basis that there will be consultation prior to their introduction.

Expert Panel

The MCE has indicated that it will commission an expert panel to provide advice on the model legislative processes and statutory rules for a new national approach to energy access, across both gas and electricity. The outcomes of this panel are significant and VENCorp expects to respond to the consultations to be undertaken by this panel.

VENCorp notes that the panel does not include a person with an industry background and suggests that the MCE give consideration to the inclusion of an independent member with industry experience in gas and/or electricity transmission access, who could provide valuable, practical insight into the development of this model legislation.