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07 JAN 2009	
File No:	1629.
Reg No:	09/45

Consultation Paper - Proposed Amendments to the Gas Retail Code, the Gas Distribution Code and the Gas Transfer and Reconciliation Code

Dear Mr Appleyard

Thank you for the opportunity to respond to the consultation paper on the proposed amendments to the Gas Retail Code, the Gas Distribution Code and the Gas Transfer and Reconciliation Code ("the Codes").

In reviewing the proposed amendments I note that the vast majority of them coincide with the recommendations of the Working Group set up to advise the Director of Gas on the report prepared by the Nine Lives consultants on the Codes.

I would like to make some comments in respect of some of the proposed reforms. Specifically, in relation to Amendment 10 to the Gas Transfer and Reconciliation Code I assume that the proposed amendments to 6.2.1(b) and (c) are consistent with Victorian practice as is inferred.

Turning to section 2.2 of the Gas Distribution Code, you seek views on the alignment of Tasmanian provisions with those in Victoria on the matter of the provision of information concerning the extension of the gas distribution network.

As a matter of general principle the policy framework for the Tasmanian gas sector is to ensure that the development of the sector is not unnecessarily hampered by the imposition of unjustified regulation. That is, that competition and the development of the industry is not restricted unless it can be demonstrated that the costs are outweighed by the benefits and that the implementation is undertaken using a least cost approach. It appears to me that that where there is benefit to the operation of the regulatory framework for provisions to be aligned with regulatory practice occurring in other jurisdictions this should be encouraged and supported, particularly if it does not require the amendment of the Codes.

In relation to 2.2 then if the provisions of the ring fencing policy are robust enough to cover the provision of information to all retailers by the distributor concerning the extension of the network then there does not appear to be a justification for amending the Codes to provide for this matter.

A further specific comment relates to your views on section 9 of the Gas Transfer and Reconciliation Code and the definition of "uncertainty limit". Your position is premised on a "proposed amendment 7(b)". However, in reading the paper I am unable to find a "proposed amendment 7(b)". As such I am unable to determine as to whether your position on the definition of "uncertainty limit" is correct.

On more general matters the impending introduction of the National Energy Customer Framework (NECF) in January 2010 has motivated a requirement to review consumer protection arrangements for gas.

To meet its commitments under the Australian Energy Markets Agreement (AEMA), Tasmanian gas retailers would be required to adopt the NECF. This would be a significant departure from current Tasmanian public policy, which favours a light-handed regulatory approach.

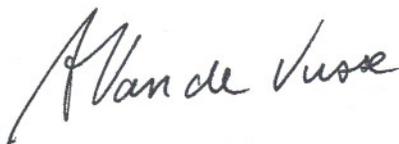
This office is seeking to undertake a review of the current consumer protection arrangements for gas in Tasmania in light of these national developments. A draft discussion paper is being prepared for consultation. This paper will provide a vehicle for either confirming Tasmanian retailers adopting the NECF or for justifying an exemption from the AEMA obligations. The former course of action would have particular consequences for the continued operation of the Gas Retail Code.

This office will endeavour to keep your office informed of developments in this review.

I trust that these comments are of assistance.

Thank you again for the opportunity to comment on the consultation paper.

Yours sincerely



Tony van de Vusse
DIRECTOR

6 January 2009