

18 December 2001

Mr Andrew Reeves
Commissioner
Office of the Tasmanian Energy Regulator
GPO Box 770
Hobart TAS 7001

Dear Andrew

Re: Tasmanian Natural Gas Draft Code and Licences

Thank you for the opportunity to comment on the draft Gas Codes and Licences prepared by the Office of the Tasmanian Energy Regulator.

As previously conveyed to your Office the TCCI believes the introduction of natural gas has the potential to create enormous investment and growth opportunities in Tasmania. The TCCI believes that the TNGP can potentially deliver the following benefits:

- Providing an alternative competitively priced energy resource for industrial and residential use;
- By reducing costs, encourage the expansion of existing businesses and spur investment in new industries which use gas;
- Boosting employment and stimulating the economy;
- Assisting in the reduction of National greenhouse gas emissions.

It is crucial the correct policy and regulatory settings are put in place to maximise the potential of gas and ensure the best outcomes for all Tasmanian businesses. To this end the TCCI has been closely interested in the TNGP and has previously lodged a submission to your Office on the Tender Approval Request (TAR).

The TCCI wishes to additionally comment on several specific aspects of background paper on the Gas Codes and Licences:

Relationships between Distributors / Retailers and Customers

TCCI can appreciate the shortcomings of a Retailer having to represent the Distributor in dealings with customers, however, wherever possible the underlining principle should be for only one point of contact between the customer and retailer/distributor.

Ideally the objective should be for administrative simplicity for the customer and the minimising of any opportunity for confusion. Should the 'Triangular Model' be adopted then any detail needs to reflect this principle as much as possible.

Aligning of Electricity and Gas Regulatory Settings

The TCCI is highly supportive of the notion that if gas and electricity are to become competitors then it is entirely appropriate that the regulatory arrangements applying to each of them should align as far as possible.

Accordingly as stated in the background paper if regulatory schemes are aligned then a high degree of substitutability between gas and electricity can occur. The TCCI is comforted that the draft Gas Codes and Licences have been framed with this tenet in mind.

Exclusive Franchises

The TCCI does not normally support the notion of exclusive licences, however, we understand that an exclusive non-contestable retailing licence needs to be granted in order to make gas retailing a viable proposition. To compromise competition in non-contestable gas retailing in order to create competition in energy is appropriate in this instance.

Gas Retail Licence - Obligation to Sell

The TCCI is supportive of the principle that a gas retailer has an obligation to sell to a customer. If the Gas retailer is to be granted an exclusive retail licence for non-contestable customers then an onus to supply all customers is appropriate.

The guarantee of supply is extremely important where there is a monopoly supplier. In the absence of competition, consumers need to be assured they can have access to an essential service such as gas. Otherwise the monopoly supplier would simply skim the market for only profitable customers.

The down side to this arrangement is of course that it infers a cross-subsidisation between customers. The TCCI would welcome any advice from the Tasmanian Energy Regulator on this point and whether in its view this prevents a net public benefit from arising from the obligation to sell principle.

Gas Retail Code - Estimated Consumption

The TCCI is concerned over a retailer being allowed to estimate consumption of gas by customers if a reliable meter reading cannot be obtained and charging the customer on the basis of such an estimation.

The word 'reliable' in our view requires careful clarification. The TCCI highlights the significant disquiet in the business community over current water usage charges as an example of the unfavourable views of 'estimated' methodologies.

Gas Retail Code - Disconnection

The requirements in the Gas Retail Code in relation to disconnection appear appropriate and have added customer protection mechanisms over and above the existing Electricity provisions.

Gas Retail Code - Content of Annual Returns

Obviously there exists significant merit in aligning annual returns with interstate jurisdictions to enable benchmarking and efficiency / effectiveness analyses to occur.

Gas Retail Code - Shortened Collection Cycle / Account Adjustment

No immediate comment although a comparison with interstate jurisdictions would be appropriate.

Gas Retail Code - Security of Payment

The TCCI is concerned about the Security of Payment clause and the potential burden it places on a business. Consistently Aurora Energy has informed the TCCI that Tasmanian companies have demonstrated a good record in payments for electricity.

The TCCI cannot see why default on payment records for gas would be any different to electricity. This issue in our view requires clarification, including:

- What is the basis for its inclusion?

- What happens in other States in respect to business customers?
- Under what circumstances is the bond imposed?
- Requirements for the return of bond including clarification on the term 'satisfactory'.

The TCCI currently views this requirement as an unnecessary impediment to business that needs to be reviewed.

Conclusion

In summary subject to the clarification of several issues raised within this correspondence the TCCI is broadly supportive of the draft Gas Codes and Licences and in the main believes these regulatory tools will deliver advantages to the Tasmanian Business Community.

The TCCI will continue to remain interested in this process and to this end we would welcome the opportunity to meet in the New Year to discuss the issues raised within this correspondence.

Yours sincerely

Damon Thomas
CHIEF EXECUTIVE