

27 March 2018

Mr John Pierce
Chairman
Australian Energy Market Commission
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Electronic lodgement – ref. GPR0004

Dear John,

Draft Report: Review into the scope of economic regulation applied to covered pipelines

AusNet Services welcomes the opportunity to make this submission to the AEMC's Draft Report on its Review into the Scope of Economic Regulation Applied to Covered Pipelines.

As set out in its submission to the Issues Paper, AusNet Services sees merit in the existing provisions of Parts 8-12 of the National Gas Rules (NGR) as they are fit for purpose, and provide a regulatory framework that is effective, transparent and flexible enough to reflect the specific circumstances of the industry.

Indeed, the current framework has underpinned desirable outcomes for consumers – evidenced by the 20 year history of stable or declining distribution prices and improving network safety and reliability in Victoria, outcomes reinforced in recent gas access arrangement reviews (GAARs).

In particular, the current NGR has a greater degree of flexibility built into it than the National Electricity Rules (NER). This has enabled appropriate modifications to access arrangements where there is stakeholder support – for example, the recent introduction of a contingent Capital Expenditure Sharing Scheme (CESS) in the Victorian 2018-22 GAAR.

AusNet Services considers that several of the AEMC's draft recommendations serve to remove this flexibility and lead to a more prescriptive framework. These modifications include:

- Removal of the limited and no discretion framework. As set out in our previous submission, these provisions helped to focus the access arrangement review by clarifying where there was flexibility to adjust a particular approach.
- Removal of requirement to specify KPIs in the access arrangement, to be replaced by regulators setting and collecting data on KPIs through Regulatory Information Notices (RINs) and Regulatory Information Notices (RIOs). While consistency in performance metrics amongst gas distribution businesses is useful to facilitate comparisons, introducing reporting RINs for gas substantially increases regulatory compliance costs. It is not clear that the incremental benefits of this approach, compared to the current KPI regime, exceed the additional compliance costs.

AusNet Services does not consider that increasing the level of prescription in these parts of the NGR will have additional customer benefits compared with the existing framework.

However, we see merit in the following draft recommendations:

- The extension of the revision period from at least 15 business days to 30 business days. This will more closely align with current practice and better reflects the breadth and complexity of the issues that must be considered by the businesses during the revision period.
- Allowing the development of regulatory models (the PTRM and RFM) for gas networks by the AER. As these models are extremely complex, alignment will increase stakeholder transparency and confidence in regulatory processes. We look forward to engaging with the AER in developing these models.

We welcome the opportunity to participate further in the process. If you have any queries in relation to this submission, please contact Justin Betlehem, Senior Market Services Analyst on 03 9695 6288.

Yours sincerely,

A handwritten signature in black ink that reads "C. Eddy". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Charlotte Eddy
Manager Regulatory Frameworks