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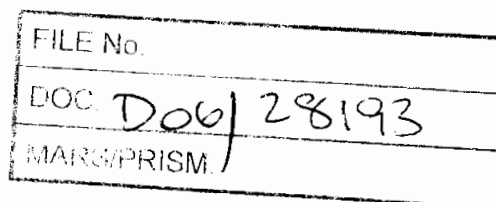


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5 May, 2006

Mr Sebastian Roberts
General Manager Transition Group
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

Email: aer inquiry@aer.gov.au



Dear Mr Roberts

GAS AND ELECTRICITY DISTRIBUTION REGULATORY GUIDELINES SCOPING PAPER

Thank you for the opportunity to comment on the Australian Energy Regulator's (AER) Scoping Paper on Gas and Electricity Distribution Regulatory Guidelines. CitiPower and Powercor Australia are Victorian electricity distributors who will be directly affected by the proposed guidelines when electricity distribution functions are transferred to the AER.

Reviews of the regulatory framework

The Scoping Paper recognises that there is still legislative uncertainty surrounding the regulatory framework for the gas and electricity distribution industries. The MCE is still to make significant policy decisions on the regulation of electricity and gas distribution. To what extent these decisions will reflect the recommendations of the MCE Expert Panel or the proposals of the Gilbert and Tobin/NERA review is still uncertain.

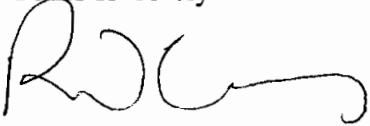
The Scoping Paper also proposes to use the AEMC Review of Electricity Transmission Revenue and Pricing Rules as guidance on the form of future regulatory arrangements for distribution. This approach does not adequately incorporate the AEMC process which, as you are aware, has not yet reached the Draft Decision stage (expected in June 2006) and may itself be subject to tensions as the MCE progress their decision making on the regulatory framework.

Contribution and Tariff setting until there is clear guidance that these will be required under the Rules.

An area that also requires careful consideration is the transition from the current jurisdictional guidelines to the future regime of AER national guidelines.

Should you have any further questions in relation to this submission, please do not hesitate to contact me on (03) 9683 4508

Yours sincerely

A handwritten signature in black ink, appearing to be 'Richard Gross', with a stylized, flowing script.

Richard Gross
GENERAL MANAGER REGULATION