



**16 February 2010**

**Chris Pattas  
General Manager  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001**

## **South Australia Draft Distribution Determination 2010–11 to 2014–15**

Dear Mr Pattas,

AGL Energy Limited (**AGL**) welcomes the opportunity to comment on the Australian Energy Regulator's (**AER's**) draft distribution determination for ETSA Utilities for the period 1 July 2010 to 30 June 2015.

AGL is largely supportive of the overall approach proposed by the AER within the draft distribution determination. AGL acknowledges that the AER has considered many aspects within the review process which includes, but is not limited to, pre-consultation, framework and approach, cost allocation method, proposal and public consultation. In undertaking its review, AGL encourages the AER to assess the worthiness of the draft distribution determination against principles of good regulatory practice; such as those set by the Commonwealth Office of Best Practice Regulation<sup>1</sup>. This will ensure that those regulations imposed without any cost-benefit analysis or without a clear objective are in fact appropriate and necessary.

It is AGL's opinion that Best Practice Regulation should be included as a consideration throughout this review process. Regulatory arrangements should be competitively neutral and should seek to achieve an appropriate balance between the rights and responsibilities of all participants in the energy market, including customers.

Consultation ensures that both the regulator and the regulated have a good understanding of the problem, alternative options to address it, potential administrative and compliance mechanisms, and associated benefits, costs and risks. Lack of consultation can lead to regulation that is inappropriate to the circumstances and costly to comply with.

As one of the largest retailer operating nationally, AGL believes that the long-term market efficiency and innovation of customer product and services can only be realistically achieved when there is a seamless procurement, delivery and processing of data and services across state and jurisdiction boundaries. This objective should be supported by a competitive market for the provision of meters, data and services based on an open access standards.

AGL acknowledges that unbundling metering related charges for small customers may be beneficial. Large market customers have arrangements in place with their retailers where the network charges (including the distribution tariff) are directly passed through to them (called 'unbundled' pricing). AGL sees that there is a benefit in "unbundling" of network electricity charges as this provides transparently to customers, enabling them to make

---

<sup>1</sup> Australian Government, Best Practice Regulation Handbook, Canberra, August 2007

- > Being selected as a member of the Dow Jones Sustainability Index 2006/07
- > Gaining accreditation under the National GreenPower Accreditation Program for AGL Green Energy®, AGL Green Living® and AGL Green Spirit
- > Being selected as a constituent of the FTSE4Good Index Series



informed decisions about competitive offerings. Large customers or their retailers can and do choose alternative metering providers. The 'bundled' approach is a potential barrier to the provision of contestable services.

AGL believes that there should be a nationally consistent regulatory framework, one national set of metering procedures and rules, and the meter provision and meter data services should be subject to a competitive market discipline.

Whilst AGL is supportive of the proposed measures it is of our view that a 'transitional' period is required to ensure that all impacted participants can make the necessary arrangements which may include, but not limited to, system changes.

Should you have any questions in relation to this submission, please contact Sallie Proctor, Manager Regulatory Compliance and Advice on (03) 8633 7871 or at [SProctor@agl.com.au](mailto:SProctor@agl.com.au)

Yours sincerely,

Nicole Wallis  
Manager Retail Markets Regulations

- > Being selected as a member of the Dow Jones Sustainability Index 2006/07
- > Gaining accreditation under the National GreenPower Accreditation Program for AGL Green Energy®, AGL Green Living® and AGL Green Spirit
- > Being selected as a constituent of the FTSE4Good Index Series