

# Submission to the Australian Energy Regulatory

## Gas and Electricity Distribution Regulatory Guidelines Scoping Paper

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This submission is from United Energy Distribution and Multinet Gas Distribution (The Companies). A brief overview is contained in the table below:

Company		Location	Locations	Customers
	Multinet Gas Networks	Gas Distribution Networks	Vic	642,000
	United Energy Distribution	Electricity Distribution Networks	Vic	609,000

This submission responds to the Gas and Electricity Scoping Paper, released by the Australian Energy Regulator (AER) in March 2006. Each issue identified by the AER is addressed individually below:

Issue 1

To develop electricity regulatory guidelines and conduct a separate process for the development of guidelines for gas.

Whilst there may be some limited opportunities to develop the guidelines in a single process, the Companies agree that the process of electricity and gas distribution guidelines should be conducted separately. At this stage we are unable to identify sufficient processes that would enable the development of both guidelines at the same time. The Gas Law and Rules are currently under development and hence the work on guidelines may need to be re-done. This would create unnecessary work and lead to substantial uncertainty for the industry.

Issue 2

The AER presumes that the economic regulatory framework, in particular the detailed elements of the building block approach outlined in the draft Chapter 6 Rules for transmission, are largely applicable to electricity distribution, with the exception of the service standards incentive regime and the form of regulation.

Therefore, in light of the draft Chapter 6 Rule, the AER, at this stage, does not propose to set out the economic regulatory framework – i.e. the treatment of the building block elements for electricity distribution.

The Companies believe the consultation is an important part of the regulatory framework. At this stage consultation has not taken place re the development of distribution economic framework. Consultation to date has been limited to the review of chapter 6 and the transmission industry. Whilst the Companies did contribute to the debate on these issues it still remains unclear whether the issues raised in our response have been adequately dealt with, given the status of the current review.

The Companies agree with the AER that the differences identified (i.e. service standards incentive regime and form of regulation) will differ between distribution and transmission, and until the final form of transmission regulatory framework is determined the Companies cannot agree that these should be the basis for the distribution framework.

#### AER Issue 3

Electricity distribution guidelines should be developed. The scope of these guidelines will be largely influenced by the AEMC Chapter 6 review and the Gilbert and Tobin / NERA options paper.

The Companies believe that the AER can not simply rely on the AEMC Chapter 6 review and the Gilbert and Tobin/NERA options paper as a large influence.

The AEMC Chapter review is not finalised and up till now the AEMC has not responded to the submissions they have received. The Companies are hopeful that the AEMC will change its position on a number of items and until such time as the AEMC finalises its consultation process the AER cannot assume that the current drafting will remain unchanged.

The Gilbert and Tobin/NERA paper has the status of an options paper prepared for the MCE. Similarly this paper is also in the consultation phase and to date, whilst responses have been received to this paper, the MCE has to date not released its response to those submissions. The Companies believe that this paper holds no official status on the basis that it is a preliminary paper prepared by consultants of the MCE and is far from finalised.

Further, the Companies believes that there are a number of official papers that have been fully consulted on that the AER should rely upon. These include the Productivity Commission Review of the Gas Access Regime and the PM's Export Taskforce Report to name a few.

Issue 4

The AER Proposes conducting a separate process for the development of regulatory guidelines for both electricity distribution and transmission.

The Companies agree with this position. There are sufficient differences between Transmission and Distribution industries to warrant separate processes. The Companies do not believe that the current drafting on the Chapter 6 review is necessarily relevant for distribution and at this stage that process is not yet finalised. It is important that distribution companies are consulted on in their own right rather than simply following transmission rules that are currently in draft form and may not be relevant.

Other Issues

Guideline development

The Companies support the ENA's position re: the development of proposed guidelines. At this stage it would be inappropriate to develop all of the guidelines proposed by the AER on page 28 of the Scoping Paper. Until such time as these items are formally transitioned to the AER. The guidelines should remain with the relevant jurisdiction in order to minimise regulatory duplication of guidelines.