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23 November 2006

Mr Mick Geaney
Assistant Director, Licensing
Economic Regulation Authority
PO Box 8469
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Dear Mick

Review of Gas Trading and Distribution Licences

The Economic Regulation Authority (the Authority) is seeking public comments on a recommendation report for the review of gas trading and distribution licences. This submission is a joint submission on behalf of AlintaGas Networks and AlintaGas Sales.

Alinta found the recommendation report to be well structured with the issues discussed clearly. Alinta supports changes to the gas licences that reflect the current regulatory environment. Moreover, it believes that licenses should deal with procedural matters such as communication; variation and revocation of licence; supply/operations areas; compliance with laws, codes and guidelines; and monitoring of performance against applicable industry standards, codes and guidelines. Details of service standards should be prescribed in codes and guidelines.

In sections 5.10 and 6.10, the Authority foreshadows the development of an Energy Code for small use customers. AlintaGas Networks and AlintaGas Sales, as major stakeholders in the energy market in Western Australia, wish to actively participate in the development process of the energy code.

Except for the specific licence conditions discussed below, Alinta supports the proposed changes in the Position Paper. Alinta's concerns with the specific licence conditions are as follows:

Section 5.38 & 6.37 – Publishing information

Alinta considers that the proposed licence condition requiring a licensee to publish any information within a specified timeframe it considers relevant in connection with the licensee or performance by the licensee of its obligations under the licence as being too broad and general. It is submitted that this obligation goes far beyond matters relating to customer service, performance or other areas of legitimate concern that the Authority may have. We are unaware of any similar requirement in any other jurisdiction.

Alinta notes that although any determination made by the Authority for a Licensee to publish information is a reviewable decision in both the trading and distribution licences, it is the Authority itself which will conduct and determine any review.

Alinta's position is that any requirement to publish information should be linked to service standards or to the performance of the licensee's obligations under the License.

Section 6.8 – Obligation to connect

The Authority seeks stakeholder input on the following:

- Should the Regulator or Government determine the extent of the obligation?
- Should the existing obligation be amended consistent with the electricity in terms of distance and requirement that the customer must pay the least (total) cost of the connection?
- Should the existing obligation apply to licensees but not to future licensees?

Given that customer connection, especially for residential customers, is a sensitive issue, Alinta is of the view that the Government should determine the extent of the obligation.

Alinta considers that it is not practical to apply the prescribed electricity connection conditions to gas connection. The technical considerations of gas and electricity connection are unrelated and very different. Moreover, the amount of connection cost a licensee of a covered distribution system is required to bear is subject to the principles or terms and conditions proposed by the distributor and approved by Authority during the Gas Access Arrangement Review. For these reasons, Alinta does not support any amendment that makes the conditions of gas connection consistent with that of electricity in terms of distance or the connection cost a distributor has to bear.

The obligation to connect (Clause 8) in the current licences imposes an obligation upon a distributor to connect residential customers in prescribed circumstances. Clauses 8 (3) (b) & (c) essentially requires a distributor must bear the connection cost up to \$650. This threshold amount has been superseded by principles and terms and conditions proposed by AlintaGas Networks and approved by the Authority in the Access Arrangement for the Mid-West and South-West Gas Distribution Systems.

Given that the unit connection cost of AlintaGas Networks is a matter determined at the time of Access Arrangement review, Alinta believes it would be appropriate for the licence to include a general obligation requiring a licensee to connect consistent with its Access Arrangement in lieu of the current provision in Clause 8 (3) (b). Clause 8 (3) (c) should be amended such that the licensee may decline to undertake the connections unless another person bears the amount that is in excess of the average connection cost proposed by the distributor and approved by Authority during the Gas Access Arrangement Review. This would avoid any licence amendments following each Access Arrangement review.

Alinta believes the other key parameters in Clause 8 (3) should be retained either in a license or an Energy Code of Conduct as they provided clarity to the connection rules governing connection of residential customers.

Section 6.14 – Future development of licensed distribution system

Alinta believes an expansion of a licensed distribution system would naturally proceed if there is demand and expansion is economic. A licensed distributor governed by an Access Arrangement would not undertake an expansion that is uneconomical as it will be inconsistent with the National Access Code. Alinta believes Clause 14 is vague and should be deleted.

Section 5.22 & 6.21

It is recommended in Recommendations 22 and 60 that licensees are allowed “20 business days, or such additional period the authority may consider as being reasonable for the licensees to make submission on the proposed licence amendment”. The proposed standard Trading Licence makes note of the 20 business days but the standard Distribution Licence clause 11.2 refers to 15 business days. Alinta requests the 20 business day period for submissions be standardised across both licence types and the words “or such additional period the Authority may consider as being reasonable” is also included in the relevant clause in both standard Trading and Distribution licences.

If you wish to discuss any of the above mentioned matters, please contact me on (03) 8544 9442.

Yours sincerely

Siva Moorthy
Network Regulations Manager