



23 February 2015

Gas - Submissions
National Competition Council
GPO Box 250
Melbourne VIC 3001

Submitted by email: gas@ncc.gov.au

APPLICATION FOR LIGHT REGULATION OF THE ALLGAS GAS DISTRIBUTION NETWORK

Origin Energy Limited (Origin) welcomes the opportunity to comment on Allgas Energy's application for light regulation of its Allgas Network.

The National Competition Council's (NCC's) key consideration for an application for light regulation is whether light regulation is similarly effective as full regulation but involves lower costs. If this is found to be the case, light regulation is the more appropriate form of regulation. Throughout its assessment of the application, the NCC must have regard for the National Gas Objective.

In the recent light regulation application for its Queensland Gas Distribution Network (QGDN), Envestra detailed its price expectations for the first few years of light regulation and its intention to apply the most recent terms and conditions approved by the Australian Energy Regulator (AER) for the QGDN as the basis for access negotiations with users. Origin notes Allgas Energy's application does not provide similar assurances with respect to either prices or terms and conditions. As a result, we are concerned there is a potential for prices on the Allgas Network to rise and terms and conditions to become more onerous under light regulation. This would not be in the long term interests of consumers and hence would not support the National Gas Objective. Retailers and end users require some knowledge of the initial anticipated position for commercial access negotiations under light regulation to be satisfied that reduced regulatory oversight can be as effective as full regulation and would be in the long term interests of consumers.

Origin would like to understand Allgas Energy's expectations of the future price path for the Allgas Network. Allgas Energy's application identifies a total cost saving of \$3.8 - \$4.2 million over five years from moving to light regulation. Of this, the anticipated cost saving to end users is \$2.25 - \$2.45 million. Given this, Origin would expect that as a minimum there would be an initial reduction in prices. We would also like to understand whether Allgas Energy intends relying on similar methodologies to set prices under light regulation as it currently applies for full regulation. This would ensure a more transparent process that is well understood by retailers.

Origin would also like to understand Allgas Energy's ongoing terms and conditions process under light regulation. We note and support the work being undertaken by APA Group, the operators of the Allgas Network, to align terms and conditions across its networks. Similar to Envestra's QGDN, we would expect Allgas Energy to apply the most recent terms and conditions approved by the AER, noting there may be some necessary amendments to align the Allgas Network terms and conditions with its other networks.

Should you have any questions or which to discuss this information further, please contact Lillian Patterson on lillian.patterson@originenergy.com.au or (02) 9503 5375.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "K. Robertson".

Keith Robertson
Manager, Wholesale and Retail Regulatory Policy