

Allgas Energy Pty Limited
ACN 009 656 446

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**Mr John Feil
Executive Director
National Competition Council
Level 35, The Tower
360 Elizabeth Street
PO Box 520
Melbourne Victoria
3001**

13 March 2015

**Application under s112 of the National Gas Law
for a determination that the Services of Allgas Energy Pty Ltd
be Light Regulation Services**

Dear Mr Feil

On 27 January 2015, Allgas Energy Pty Ltd (Allgas) lodged the above application for the services provided by the Allgas gas distribution network in Brisbane, Gold Coast, Toowoomba and Oakey.

In accordance with its normal consultation processes as required under the National Gas Law, the NCC published the application and invited submissions from interested parties to be lodged by 23 February 2015.

A submission was received from Origin Energy, which noted that it would be helpful for Allgas to provide some indication regarding its views on network pricing and terms and conditions under the light regulation regime.

Allgas agrees that this would be helpful, and provides the following thoughts on pricing under the light regulation framework.

Allgas remains conscious of the challenging environment for gas as a fuel of choice in the Brisbane market, particularly in light of the expected increases in wholesale gas prices. It is, of course, in Allgas' best interests to negotiate network prices in a way that allows gas to compete effectively as a fuel choice in this market.

However, Allgas notes that it is but one link in the supply chain responsible for bringing gas to end users in the Brisbane region. All parts of the supply chain must work together to ensure that gas can remain attractive as a fuel of choice to end users in the Brisbane market.

Allgas' network costs must be considered in the context of the upstream wholesale gas supply costs and the downstream retail costs. Allgas also notes the further discipline that its charges are subject to the regulatory safeguards that will continue to apply under light regulation. Notably, Allgas and users will have access to an independent dispute resolution process administered by the Australian Energy Regulator.

Allgas accepts that consumers should benefit from the reduced regulatory burden under the light regulation regime, and proposes to pass through the lower regulatory costs to customers once light regulation comes into effect.

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Looking forward, Allgas notes that there are a range of factors that influence network pricing that can change substantially, making it difficult to predict future price outcomes with certainty. However, at this stage, Allgas anticipates that network tariffs would not increase by more than the change in the consumer price index over the first five years under light regulation.

Allgas does not propose to change the terms and conditions relative to those currently approved by the Australian Energy Regulator in the current Access Arrangement.

We would be pleased to discuss this application with you at your convenience.

Yours sincerely

[signed]

Scott Young
Regulatory Manager