

A few  
words.

**28 May 2013**

**Mr Fernando Chandima**  
**National Competition Council**  
**Level 21, 200, Queen Street**  
**Melbourne VIC 3000**

Submitted via email to [gas@ncc.gov.au](mailto:gas@ncc.gov.au)



Dear Mr Chandima,

AGL Energy (AGL) welcomes the opportunity to comment on the application by Envestra Limited's (Envestra) for the revocation of coverage of the Wagga Wagga natural gas distribution network (Wagga Wagga Network) issued by the National Competition Council (NCC).

AGL operates across the energy supply chain including investments in gas and electricity retailing, upstream gas supply and electricity generation. AGL has over 3 million retail customers, numerous upstream gas operations and projects, and operational control of over 5000MW of electricity generation capacity.

In summary, AGL does not support Envestra's application for the revocation of coverage for the Wagga Wagga Network.

In AGL's view, such an application may be appropriate for certain networks, such as a small gas network in a remote location or a very small scale network, but it is not appropriate for a very established network like the Wagga Wagga Network with over 18,700 customers.

AGL believes the revocation could materially harm the customer investments in connection services and appliances and diminish the confidence and certainty of the provision of network services. These customers, and the retailers serving them, are better served when there is transparency and accountability in the terms and conditions for the provision of these services. The revocation of coverage would introduce financial uncertainties for customers who had previously invested in new connection services and equipment.

As a monopoly distribution network business, unlike gas transmission, there is no viable alternative for these customers to procure these services. AGL believes it would be in the interest of these customers that regulatory scrutiny on the network costs and fair terms and conditions relating to network usage be applied. AGL considers that, the existing coverage determination provides essential checks and balances, for residential customers, related to their network services, as they are generally in a weaker position to negotiate with the network service providers.

AGL is equally concerned that the revocation of the Wagga Wagga Network would introduce a precedent that could open the way for networks in other regional towns to follow a similar process of revocation. An example of such an established gas network is the Albury natural gas network with over 19,000 customers. AGL urges the NCC to consider carefully the long term implications of setting such a precedent in its consideration of the application for the revocation of Wagga Wagga Network. AGL believes such a revocation is against the long term interest of the consumers and the National Gas Objectives under the National Gas Law:

*"The objective of this Law is to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers*

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*of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas."*

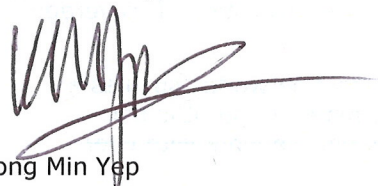
A key factor of the Envestra application is the regulatory cost associated with the coverage determination process and Envestra's expressed intention to remove such costs through a reduced tariff if the revocation is approved. Although AGL supports a lowering of regulatory costs and reductions in network tariffs and believes that the costs are to some extent controllable by Envestra, AGL believes that it would be more efficiently achieved through a review of the regulatory process, not by the removal of the regulatory process itself.

In AGL's view, the short term saving from the removal of the regulatory control of a monopoly business does not necessarily lead to an overall long term net saving for the customers. As previously stated, AGL considers that customers are more likely to benefit from an open and transparent regulatory process that determines efficient costs for the provision of network services and terms and conditions that are subjected to public scrutiny and review. In some cases, the terms and conditions of the network services are negotiated by the retailers that have flow on benefits to the customers.

In conclusion, AGL believes the benefits from a coverage determination would outweigh an efficient cost of the regulatory process in coverage determination and provide the customers with long term return on the comparative efficiency of network services over time.

Please contact me on 03 8633 6988 or George Foley 03 8633 6239 if you wish to discuss this matter further.

Yours sincerely,



Kong Min Yip

Wholesale Electricity Advisor

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