

15 July 2013

Wagga Wagga Gas Distribution Network
National Competition Council
Level 21, 200 Queen Street
Melbourne VIC 3000

By email: gas@ncc.gov.au

Dear Sir/Madam,

RE: Application under the National Gas Law for a revocation of coverage determination for the Wagga Wagga Gas Distribution Network - Draft Recommendation

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide a submission to the National Competition Council's (NCC) *Application under the National Gas Law for a revocation of coverage determination for the Wagga Wagga Gas Distribution Network - Draft Recommendation* (the Draft Recommendation). This submission compliments our input to the *Application for revocation of coverage – Wagga Wagga natural gas distribution network* on 28 May 2013.

The ERAA represents the organisations providing electricity and gas to almost 10 million Australian households and businesses. Our member organisations are mostly privately owned, vary in size and operate in all areas within the National Electricity Market (NEM) and are the first point of contact for end use customers of both electricity and gas. Of particular relevance to this consultation process is the ERAA's unique insight into what drives a new entrant (sometimes referred to as a 'second tier') retailer to enter a market and compete for customers. A full list of our members is available at: www.eraa.com.au/about/our-members/

The ERAA supports the NCC's Draft Recommendation, agreeing that the Wagga Wagga Gas Distribution Network (the Network) does satisfy criterion (a) – (d) of section 15 of the National Gas Rules. The ERAA notes the NCC's recognition that limited competition is a symptom of inadequate margins and it is likely that additional incentives for competition in gas supply will emerge in NSW in the short to medium term.¹ We retain our view that removing coverage of the Network would place the benefits of competition at risk. The NCC's suggestion that negotiations of access terms and conditions for unregulated distribution networks can cause significant expenses is consistent with the experiences of our Members. These negotiations have not historically been cost-effective for retailers, which may discourage further market entry.

The ERAA does not consider light regulation to be appropriate for the Network. As some previous proposals by Envestra to impose certain terms and conditions on users of its South Australian and Queensland networks have not been approved by the AER, it is likely that negotiations on non-price terms of access will be required under light regulation. As retailers are not confident that negotiations will be effective, light regulation introduces a risk that onerous supply terms and conditions would be borne by end users. Under light regulation,

¹ NCC (2013), *Application under the National Gas Law for a revocation of coverage determination for the Wagga Wagga Gas Distribution Network - Draft Recommendation*, p.11



retailers and consumers would have to raise any disputes with the Australian Energy Regulator. The costs of any such disputes would likely outweigh the estimated cost savings from moving from full to light regulation, and may deter potential new retail entrants to the market.

Should you wish to discuss the details of this submission, please contact me on (02) 8241 1800 and I will be happy to facilitate such discussions with my member companies.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Cameron O'Reilly', with a stylized, flowing script.

Cameron O'Reilly
CEO
Energy Retailers Association of Australia