

17 April 2003

Queensland Competition Authority
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Dear Sir

APIA SUBMISSION ON DRAFT GENERAL ACCOUNTING GUIDELINES FOR GAS DISTRIBUTION NETWORK SERVICE PROVIDERS

The Australian Pipeline Industry Association (APIA), as the peak national body representing Australia's gas transmission sector, welcomes this opportunity to comment on the draft *General Accounting Guidelines for Gas Distribution Network Service Providers* released on 20 March 2003.

While the Guideline document is specific to distribution networks in Queensland, it nevertheless raises a number of fundamental issues of wider interest to service providers, including the gas transmission sector. In particular, the document seeks to impose a range of additional regulatory requirements relating to the collection, maintenance and transformation of a wide range of accounting and non-accounting information by affected service providers at the discretion of the QCA.

APIA's overarching concerns with the draft guideline relate to the following issues:

1. it signals an intrusive approach to access pricing regulation totally at odds with the philosophy of the Gas Access Regime, the outcomes of the CoAG Energy Market Review and the Productivity Commission's review of the National Access Regime;
2. the scope of the proposed guidelines extends beyond the limited scope of Section 4.2 of the Gas Code under which the QCA is authorised to collect and maintain a limited set of accounting information to confirm appropriate ring fencing arrangements are maintained; and
3. in bringing forward the proposed guideline, the QCA has not carried out an assessment which (a) clearly articulates the market failure which the guideline seeks to address or (b) provides evidence that the likely benefits of the intervention imposed through the guideline are likely to outweigh the costs and other consequences, including due regard to the size and nature of the Queensland distribution assets affected.

The key issues involved are examined in detail in the submission made by the Australian Gas Association (AGA) and APIA fully supports the AGA's analysis and views.

APIA believes that the Guideline would benefit from an assessment against the regulatory assessment principles articulated by the Productivity Commission in its review of the National Access Regime (Productivity Commission, Review of the National Access Regime – Inquiry Report, p 36). This should include an assessment of:

- the objectives of the Guideline
 - What problem does the guideline seek to address?
 - Is the problem significant enough to warrant a regulatory response in the form of the guideline envisaged, having regard to the likely costs and consequences of intervention?
- the generally efficacy of the proposed measure
 - Does the guideline target the problem effectively?
 - Does it have unintended consequences and costs?
 - Is it consistent with related regulations?
 - Can it readily accommodate expected changes to the nature of the regulated activity?
 - Would changes to the design and implementation of the guideline improve its effectiveness?
 - Would alternative regulatory approaches provide a superior outcome?
- administrative efficiency and accountability
 - Are the administrative processes timely and transparent?
 - Are there appropriate and effective monitoring and review provisions?
 - Are regulators accountable for their decisions and actions?
 - Does the proposed measure represent an appropriate separation of policy making and regulatory functions?
 - Could changes be made to reduce administrative and compliance costs without undermining the effectiveness of the guideline?

Against this background, the stated justification by the QCA that it needs “...to ensure that sufficient information is available to monitor compliance with the Code, including the ring fencing provisions.” does not provide the basis for informed decision making on the value of the Guideline.

The draft Guideline raises important issues relating to the discretions given to regulators under the Code, the interpretation of the Code by regulators and the accountability of regulators for their actions. Accordingly the Guideline will represent important evidence on regulator behaviour in the imminent review of the National Gas Regime and APIA will ensure that it is brought to the attention of the review team for consideration.

Yours faithfully

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Australian Pipeline Industry Association