



11 November 2005

Queensland Competition Authority  
Level 19, 12 Creek Street  
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gas.submissions@qca.org.au

Dear Sir

### **Submission on Allgas Energy Pty Ltd and Envestra Limited revised Access Arrangements**

As a gas retailer operating in Queensland, ENERGEX Retail would like to take the opportunity to comment upon the revised access arrangements for both distribution networks operating in South east Queensland for the next regulatory period.

The approach taken by ENERGEX Retail in this submission is not to address the principles used by the respective networks in establishing their capital base, rather ENERGEX Retail seeks to make some general observations and comment on specific provisions of the terms and conditions of supply for the reference services attached to the revised access arrangements.

### **Queensland Gas Market**

In considering the approval of price increases for the network operators, ENERGEX Retail believes it is important that sufficient consideration is taken of the size of Queensland market as it is a small competitive industry that will not sustain significant price increases. The use of realistic pricing constraints is necessary particularly in view of the competitiveness of alternative energy sources. ENERGEX Retail is confident these matters will be adequately covered off by the QCA in its application of economic regulatory principles.

### **Full Retail Contestability**

ENERGEX Retail understands the revised access arrangements were prepared prior to the Queensland Government's announcement to introduce competition to all gas customers from 1 July 2007 and little consideration of the impacts of full retail contestability (FRC) were made in the access arrangements. The implementation of FRC will have definite impacts upon network operators which must be provided for within the revised access arrangements. To cover broader regulatory issues, a general provision within the access arrangements should provide for the network operator to comply with all applicable laws in anticipation of any change of laws or rules applying to facilitate full retail contestability in the Queensland gas market. ENERGEX Retail notes that further consideration of specific amendments to the access arrangements to provide for FRC in 2007 is necessary.



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## **General Principles**

### *Consistency*

It is important there is general consistency between the terms and conditions applying to the reference services provided by the two distribution networks. There is a certain expectation that the provisions submitted by the different operators will not conform in every respect, however there are obligations of a fundamental nature on a network service provider when supplying customers in a competitive market. The avoidance of inconsistent terms enables retailers to avoid costly variations to systems and/or processes to participate in different regions within the same jurisdiction. In the interests of efficiency, ENERGEX Retail encourages and supports consistency. To do otherwise would be discriminatory.

### *Simplicity*

The concept of applying simplicity to the terms and conditions enables retailers to have certainty around the application of terms, ENERGEX Retail notes the terms applied in the access arrangements conform to this concept.

### *Transparency*

The disclosure of meter reading information, frequency of meter reads and detailed network billing are fundamental information requirements for a retailer to properly conduct its business. Transparency and adequate disclosure are key areas where the businesses should have proper alignment.

## **Network Tariffs**

ENERGEX Retail supports cost-reflectivity of network charges with the importance of this principle increasing under an FRC environment.

ENERGEX Retail has accepted the zonal tariff structures provided by Allgas Energy and has some concerns that Envestra has identified only one Demand customer tariff to cover its regulated network in the Brisbane area. ENERGEX Retail estimates that the cost of servicing different Demand customers on the Envestra network varies greatly with use of network assets and comparative distances from the transmission pipeline. As such, the charges for a Demand customer located in close proximity to the transmission pipeline could be currently viewed as pitched at a level higher than the efficient economic price. For example, a Demand customer located in the Ipswich network could expect a price differential from a Demand customer connected in Redcliffe. ENERGEX Retail believes further consideration of zonal tariff structures is required given the current lack of differentiation between customer supply costs throughout the Brisbane North area and Ipswich. In addition, with the imminent introduction of FRC the tariff could be viewed as discriminatory to customers according to their supply zone.

It is noted that Envestra has provided for a negotiated service to utilise alternative structures. As an aside, ENERGEX Retail notes the network maps provided in the Envestra access arrangement do not include the regulated Ipswich network.

## **Terms and Conditions applicable to Reference Services**

In relation to the terms and conditions, ENERGEX Retail makes the following recommendations or suggested improvements to those proposed in the revised access arrangements. In general, the comments apply to both Envestra and Allgas Energy.

### *Daily overruns*

Both Allgas and Envestra allow for the revision of MDQ upwards after a number of overrun events occur in a month or year. ENERGEX Retail is concerned with the inability for MDQ to be revised downwards due to a consistent run below MDQ, subject to network user confirmation. ENERGEX Retail questions the fairness associated with MDQ increases where a consistent policy is not in place to account for reductions.

ENERGEX Retail also notes that Envestra will only apply a revision of MDQ on Demand customers with Interval meters. ENERGEX Retail agrees with this position and believes Allgas Energy should state a similar position within their terms and conditions.

In addition to this, both Allgas Energy and Envestra do not provide for notice to the network user of any increase in MDQ activated by the operation of their respective clauses. A network user is placed in a better position armed with this information to ensure customers are billed accurately in the first instance. ENERGEX Retail requests notice of a change in MDQ within 14 days.

### *Quality of gas*

To maintain uniformity for gas quality standards, a network operator must be responsible for maintaining gas quality to the appropriate standards whilst the gas is transported through the network. It is proposed an additional clause is included as a term and condition for gas quality stating, "the network operator will maintain the gas injected into its network to the quality determined by relevant legislation. [Allgas, clause 6.2, Envestra, clause 11]"

### *Invoicing*

In terms of network billing, ENERGEX Retail considers it appropriate the information provided by a network operator should be sufficient to allow reconciliation of DUOS charges at an individual customer level. To enable this, minimum billing information requirements should include the total number of customers supplied under the reference service based on market segment, period of meter reading, total supply charges, total volume and total DUOS charge. For example, the invoicing requirements in both arrangements (Allgas Energy, clause 8.3 and Envestra, clause 19.4) only require aggregate totals with further detail on an agreed basis. An additional level of detail of network billing information will be necessary for FRC implementation.

In addition, as the retailer relies upon the network to properly invoice for DUOS to pass through those costs to customers, the ability of a network operator to account for undercharges should be restricted to the time period in which a retailer may recover the amount of the undercharge from its customer (the end user). Allgas Energy has provided for a 12 month restriction on rectifying undercharges, and also imposed a 12 month period for which a network user can claim for identified overcharges. ENERGEX Retail believes this is an equitable manner to address these issues.

Envestra has restricted the correction of errors (clause 20) by providing that a network user must identify errors within 3 months, or no more than 11 months after the date of the invoice. It is reasonable that an equivalent clause be inserted providing for an error in favour of the network user.

#### *Meter reads*

Envestra provides for meter reads each quarter for Volume customers, which is on a more frequent basis than the Allgas Energy terms. It is suggested the clauses should be more closely aligned. At a minimum, meter reads should be provided for at least every 6 months for Volume customers. For clarification, given the recent extension of contestability to customers consuming more than 1TJ, customers with telemetry installed at the delivery point should be read daily or in accordance with the applicable Gas Retail Market Business Rules.

#### *Curtailement*

Allgas and Envestra have handled curtailment and interruptions to the network in a different manner. ENERGEX Retail seeks clarification about the ability of the network operator to implement interruptions and curtailment for the purpose of safety and maintenance. The access arrangements are predominantly agreements between the network and the network users. Curtailment may require end-users to suspend operations and ENERGEX Retail believes that it is the responsibility of the network users as the supplier of gas to customers to determine how curtailment is accomplished.

Thank you for considering our views. We would be pleased to elaborate further on any issues raised. Please do not hesitate to contact me on (07) 3404 1869 in this regard.

Yours sincerely

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