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## **VENCorp Submission to the Productivity Commission's Inquiry into the National Access Regime**

As the independent system and market operator for the principal Victorian gas transmission system, VENCorp currently has an approved Access Arrangement in respect of that gas pipeline system, which is due to expire on 31 December 2002. As such, VENCorp is keenly interested in the Productivity Commission's Inquiry into National Access Regime.

VENCorp generally supports the views of the Hilmer Committee findings that access regulation is required to address the issue of market foreclosure by vertically integrated or monopoly providers of essential facilities.

Such access regulation needs to deal with both the denial of access to and monopoly pricing of essential services as effective differentiation between these issues may be difficult.

VENCorp also supports the view that such an access regime should promote consistent national approaches to access issues.

As to whether this necessitates a national regime, industry-specific arrangements or a combination of both, VENCorp remains open minded to any proposed approach, which would increase regulatory and commercial efficiencies.

Clearly, it is important that the costs of regulation do not outweigh the inefficiencies which would otherwise arise through denial of access in the absence of such regulation. VENCorp therefore supports the review of the current arrangements, particularly with a view to achieving improvements in the efficiency of their application. It also offers the comment that the regulatory framework needs to provide for processes which, while rigorous, are flexible and capable of accommodating change to keep pace with the rapidly evolving competitive markets for use of essential facilities, particularly in the energy sector. This requires streamlined regulatory consultation, review and change management processes.

VENCorp is due to complete a re-submission of its Access Arrangement by March 2002, with the new Access Arrangement to take effect on 1 January 2003. This is expected to involve VENCorp in particular but, at least to some extent, the Victorian gas industry generally, in preparatory work during 2001. Given that the Victorian gas market and Access Arrangements only really became effective with the opening of the wholesale gas spot market in March 1999, there appears to have been very little pause between approval of the initial Access Arrangements and the need to commence work on the re-submission.

Further, there are concerns over the possible implications of the planned timing for the final report of the Productivity Commission review in October 2001 and the potential effect on work which by then will need to be underway in preparation for re-submission of the Victorian gas access arrangements. While it is accepted that any issues arising out of this will simply need to be managed appropriately, it would be highly desirable that the findings published in October 2001 provide clear guidance on the future direction so as to avoid uncertainty in the submission and review of the Access Arrangements throughout 2002.

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