

22 AUGUST 2003



*Energy Retailers Association
of Australia Incorporated*

Gas Access Regime Review
Productivity Commission
LB2 Collins St East
MELBOURNE VIC 8003

By email to <gas@pc.gov.au>

Dear Sirs

Review of the Gas Access Regime

The Energy Retailers Association of Australia (ERAA) has been formed by companies operating within the Australian energy retailing and trading sector and replaces the former National Retailers Forum, the Retail Directorate of the Electricity Supply Association of Australia and the Retail Committee of the Australian Gas Association. ERAA's objectives include the development of energy policy in Australia, the pursuit of more efficient energy markets, lower cost regulatory structures and to provide a focal point for Governments and media on energy retailing and trading activities. ERAA Members acting as first point of contact for over 11 million end users (households and businesses) of both Natural Gas and Electricity.

ERAA is principally interested in ensuring a healthy energy market which is able to satisfy the needs of end users. ERAA agrees with the conclusions drawn in the final report of the Energy Market Review, that Australia's gas market is still immature and that it remains an emerging market.

Governments have undertaken extensive reform of gas industry regulation over recent years, with transmission and distribution pipelines required to offer third party access and retail markets opened up to competition between retailers in most jurisdictions. It has been widely observed that the reforms to date have resulted in significant benefits to the economy but that further reforms are still needed.

A prerequisite to a growing, increasingly mature gas market is a national network of transmission pipelines which would increase competitive pressures between different producing basins and offer greater choice of sources of supply to all major markets. There is also much scope for extension of gas distribution networks into areas not currently served (unlike electricity, gas is not regarded as an 'essential service' in all markets and is not available in many towns, suburbs and streets, even in the capital cities).

Individual members of ERAA will relate to the Commission their own experiences in regard to negotiating bulk gas purchase agreements, and to encouraging the growth of gas markets. ERAA itself simply observes that the lack of upstream competition is a function of the size and location of hydrocarbon resources in relation to the major population centres in Australia, as well as the large and risky investment required in exploration, production and transportation of gas. There is no simple solution.

Governments are addressing a number of initiatives (as exemplified in the communiqué from the meeting of the Ministerial Council on Energy on 1 August) which should assist by removing some influences that tend to entrench existing market power. But the construction of new pipelines, and in particular the prospect of connections between markets in southern and eastern Australia to the reserves to the North of the continent is seen as a key requirement for continuing growth.

ERAA endorses the paramount concern identified in the Commission's final report of its review of the national access regime, namely the potential for access regulation to deter investment in essential infrastructure. ERAA endorses the Commission's conclusions that changes are needed to the national access regime to ensure that there are appropriate incentives to invest. Similar conclusions apply to the gas access regime. There is a need for balance between the interests of shippers and end users today, namely tariffs as low as possible, and the interests of shippers and end users of the future, in tariff regulation that ensures continuing investment new infrastructure as well as continuing investment in existing infrastructure that safely and reliably satisfies the growing needs of the market.

In the interests of the longer term health of the Australian gas market the supports changes to the Gas Access Regime aimed at reducing regulatory uncertainty facing investors as well as increasing incentives for efficient operation of, and ongoing investment in, existing infrastructure.

Yours sincerely

transmission by email

Tony Wood
Chair, Energy Retailers Association of Australia