



Ref: IT:JC:C202865

5 May 2006

Mr Sebastian Roberts
General Manager
Australian Energy Regulator
GPO Box 560J
Melbourne VIC 3001

Dear Mr Roberts

Request for submissions on the Gas and Electricity Distribution Regulatory Guidelines Scoping Paper March 2006

Country Energy appreciates the opportunity to comment on the Gas and Electricity Distribution Regulatory Guidelines Scoping Paper (the Paper). We look forward to working with the Australian Energy Regulator (AER) during the development of the Gas and Electricity Distribution Regulatory Guidelines (the Guidelines).

As we are awaiting the final outcomes of the Ministerial Council on Energy (MCE) Expert Panel and completion of the Australian Energy Market Commission (AEMC) Review of Chapter 6 of the National Electricity Rules (NER) for transmission regulation, there is a risk that the development of the Guidelines may prematurely pre-empt the outcomes of the above mentioned reviews.

However we are aware that the development of the Guidelines will be a complex process, and whilst our preference would be to wait for the final outcomes of the above mentioned reviews, we appreciate that a start must be made on the guidelines. For this reason, we propose that some elements of the Guidelines may need to be deferred or transferred to later stages.

Country Energy would like to comment on the two issues that the AER believes are the threshold issues that are raised in the Paper. They are:

- should the scope of its review consider gas and electricity simultaneously, and
- what should be the scope of the AER's consideration given the current reviews being conducted?

On the first issue it is our preference that, where possible, the development of regulatory guidelines for gas and electricity should be aligned. This will allow a sound and convergent result, where appropriate, supporting the objectives of the market reform process.

Unfortunately, as the AER points out, the current regulatory frameworks for each are significantly different in both their maturity and practice. It would seem unlikely that the proposed timetable could be met with aligned development of gas and electricity guidelines. We support the AER's view that separate development will be required to keep the reform moving forward, but would also support, where possible, convergence where market efficiency is encouraged.

Country Energy views the second issue as more problematic.

We understand that the AER wishes to complete Stage 1 of their process prior to the end of 2006. If this is to be at all possible work must commence soon, and by following the timetable included in the Paper, could produce results within the required timeframe. As noted earlier, Country Energy is willing to assist the AER during the preliminary development of a limited set of high level guidelines if the AER chooses to take this path.

Country Energy considers that there are a number of principles fundamental to achieving a comprehensive regulatory policy framework that serves the long term interests of all market participants. These include regulatory certainty, consistency and compatibility. Whilst Country Energy recognises and understands the challenges of the AER's compressed timetable, we believe that the starting point for the AER should align with the outcomes of the MCE Expert Panel Review and the AEMC Chapter 6 Review.

Country Energy believes there are risks involved in the AER commencing work on the Guidelines prior to the finalisation of these reviews, due to a potential increase of regulatory uncertainty in the marketplace and, in a worst case scenario, inconsistency with outcomes of the MCE Expert Panel and the AEMC Review. Given the scale of the processes to be undertaken, Country Energy would support the AER in deferring aspects of the development of the guidelines which conflict with the concurrent reviews mentioned above, until such time that the outcomes can be reinforced by the AER.

If you have any questions in relation to this submission please contact me on (02) 6589 8419.

Yours sincerely

Natalie Banicevic
General Manager Regulatory Affairs