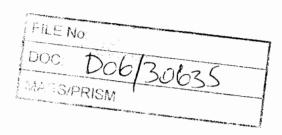
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4 May 2006

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



Dear Mr Roberts,

ENERGEX Limited submission to the Australian Energy Regulator's (AER) Gas and Electricity Distribution Regulatory Guidelines (March 2006) Scoping Paper

ENERGEX Limited welcomes the opportunity to provide comments on the Australian Energy Regulator's (AER) Gas and Electricity Distribution Regulatory Guidelines Scoping Paper (March 2006). As an owner and operator of gas and electricity distribution networks, ENERGEX Limited considers itself well placed to comment on the future regulatory frameworks for such assets.

ENERGEX supports the move to a national regulatory framework for the economic regulation of the natural monopoly segments of the energy market to:

- apply economic regulation only on services where market failure exists:
- provide investment certainty to asset owners;
- ensure that asset owners are allowed efficient costs, particularly, a reasonable allowance for the ongoing costs of investing in the network:
- ensure that asset managers are provided with the incentive to continually improve business practices to offer the least cost solution to the community; and
- allow asset owners to provide customers with reasonable price signals as tested by recognised economic efficiency tests, and by reference to the quality of service provided.

Currently, there are several other related consultation/reform processes being undertaken, such as:

- Expert Panel on Energy Access Pricing Report to the Ministerial Council of Energy (MCE);
- Gilbert & Tobin NERA Economic Consulting Options Paper on Distribution and Retail Electricity Regulation report to the MCE; and
- Australian Energy Market Commission (AEMC) review of Chapter 6 of the National Electricity Rules (NER).



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ENERGEX Limited ABN 40 078 849 055 ENERGEX considers that the development of regulatory guidelines should occur according to a reasonable sequence that aims for a framework that builds upon the strengths of the existing arrangements and practices, while looking to ameliorate any well known weaknesses, taking into account the policy directions of the MCE.

ENERGEX suggests that a reasonable sequence and timing for the development of regulatory guidelines to achieve such an outcome would be:

- the development of transmission guidelines after the AEMC has finalised its review of Chapter 6 of the NER; and
- the simultaneous development of distribution guidelines for both gas and electricity distribution after the finalisation of the two MCE regulatory reform processes and once the AEMC has revised the NER and National Gas Rules (NGR).

Accordingly, ENERGEX recommends that the AER's proposed timetable be extended to accommodate these changes.

Further details on ENERGEX's position in relation to regulatory framework issues are outlined in the ENERGEX submission to the MCE's Standing Committee of Officials' "Gilbert & Tobin/NERA Economic Consulting Options Paper on Distribution and Retail Electricity Regulation". ENERGEX will be making further submissions to the AER once detailed regulatory guidelines for energy distribution networks are released.

If you have any further questions regarding ENERGEX's submission please contact James Reynolds on (07) 3407 4354.

Yours sincerely,

Nev Bradford

Acting General Manager Legal and Corporate Affairs